

ATM S.A. GROUP OF COMPANIES

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

(in PLN '000)

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MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD TO THE SUPERVISORY BOARD, CURRENT SHAREHOLDERS AND PROSPECTIVE INVESTORS

Dear Members of the Supervisory Board, Shareholders and Investors!

On behalf of the Management Board of ATM S.A., I hereby present the consolidated financial statements of the ATM S.A. Group of Companies with the report on the activities for 2010. This document includes the financial results, the expert auditor's opinion and the most important information concerning the Group's activity and events of the previous year.

In the Management Board's view, 2010 was a very good year for the ATM S.A. Group of Companies. In 2010, the Group achieved consolidated sales revenue of PLN 401.8 million. This translates to 40% increase as compared to the corresponding period of the previous year. Net profit increased by over 117%, reaching PLN 21.4 million. The EBITDA indicator grew in 2010 by 53%, from PLN 36.6 million to PLN 55.97 million.

The Group's activities focused on two main areas: provision of telecommunications services and ICT systems integration. As predicted, the demand for telecommunications services provided by ATM S.A. continued, which enabled to achieve a good result on telecommunications activities. Results on ICT integration activities turned out to be the Company's unprecedented success. The third segment of activity, i.e. mobile payment services, which incurred significant losses in the previous years, only slightly burdened the result of 2010 due to a reduction of costs at the end of 2009 and the growth of revenue.

Last year, the ATM Group of Companies introduced beneficial changes in its internal organization, which contributed to an increase in operational efficiency. The process of combination of two biggest companies which deal with ICT systems integration, i.e. ATM Systemy Informatyczne and KLK, was successfully completed, and the companies merged at the beginning of 2011. The aim of the merger was to create one of the biggest integrating entities in Poland, specializing in ICT projects.

In telecommunications services, the Group significantly exceeded PLN 100 million of annual revenue, which enables to include the ATM's telecommunications activity under ATMAN brand in the largest group of entities offering telecommunications services for business in Poland. The year to year revenue growth dynamics was nearly 29%, and 14% for operating profit. Particular attention should be paid to the increase by 37% of the number of customers in ATM data centres, which translated into 36% increase in revenue from colocation and hosting services.

A strategic goal of telecommunications activity is to achieve a position of a leader on the data centres market in Poland and possibly even of an important player in Europe. One of the components of this strategy is the investment policy carried out, encompassing the development of a new F3 server room which was launched in the ATMAN-Grochowska campus in 2010 (as part of ATM Innovation Centre project). The building of 2,200 m² in gross area will be one of the most modern server rooms in Poland. The commissioning of consecutive modules of the Telehouse.Poland data centre to the customers is also planned for 2011. Thanks to previous investments, ATM will have at its disposal a significant area in data centres, which may be offered for colocation and hosting services. Combined with ATM's optical networks, this will allow for effective use of current global trends and a growing demand for this type of services.

The year 2010 was a critical year for activity related to providing ICT systems integration services. This operating segment brought stable, high revenue and profits during all quarters of the year, generating not only 78% of all sales revenue but also 57% of consolidated operating profit (almost PLN 19 million). Undoubtedly, these good results were influenced by the implementation of the biggest contract by ATM Systemy Informatyczne (OST 112). However, "integration" companies of the ATM Group had very good results on the market also in other, smaller contracts.

Just as in the previous year, the Management Board of ATM S.A. will make all necessary efforts to continue the dynamic growth of revenue and profits in both core operating segments in the following periods. Making use of the current competition advantage and strengthening the market position of the Group of Companies should contribute to a significant increase in the Company's value.

With regards,

Roman Szwed

President of the Management Board

SELECTED FINANCIAL DATA

	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	in PLN thousand		in EUR thousand	
Total sales revenue	401,779	286,462	100,336	65,995
Operating profit (loss)	33,150	16,878	8,279	3,889
Profit before tax	25,941	11,666	6,478	2,688
Net profit of parent undertaking shareholders	20,439	9,828	5,104	2,264
Net cash from operating activities	81,187	43,775	20,275	10,085
Net cash from financial activities	(17,074)	(25,203)	(4,264)	(5,806)
Net cash from investing activities	(29,805)	(16,592)	(7,443)	(3,822)
Increase (decrease) in cash	34,307	1,980	8,568	456
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Fixed assets	339,010	272,196	85,602	66,257
Current assets	197,855	94,523	49,960	23,008
Total assets	536,865	366,719	135,562	89,265
Long-term liabilities	55,871	20,862	14,108	5,078
Short-term liabilities	205,721	89,822	51,833	21,864
Equity	275,273	256,035	69,508	62,323
Share capital*	34,723	34,723	8,768	8,452
Parent undertaking shareholders' equity	267,462	247,817	67,536	60,322
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	7.36	6.82	1.86	1.66
Diluted book value per share (PLN/EUR)	7.36	6.82	1.86	1.66

* the share capital was restated in accordance with IAS 29

The above financial data as at 31 December 2010 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated with average FX rate of the National Bank of Poland as at 31 December 2010 at PLN/EUR 3.9603;
- particular items of the profit and loss account and the cash flow statement were calculated with the rate being arithmetic mean of rates of the National Bank of Poland at the last day of each month of the fiscal year (between 1 January and 31 December 2010) at PLN/EUR 4.0044.

The above financial data as at 31 December 2009 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated with average FX rate of the National Bank of Poland as at 31 December 2009 at PLN/EUR 4.1082;
- particular items of the profit and loss account and the cash flow statement were calculated with the rate being arithmetic mean of rates of the National Bank of Poland at the last day of each month of the fiscal year (between 1 January and 31 December 2009) at PLN/EUR 4.3406.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010

KEY CONSOLIDATED ANNUAL REPORT DATA

This consolidated annual report covers information prepared pursuant to § 86 item 2 and § 87 item 1 of the Regulation of the Minister of Finance of 19 October 2005, and includes consolidated financial statements of the ATM S.A. Group of Companies made according to the International Financial Reporting Standards, as approved by the European Union, for the period from 1 January to 31 December 2010.

Submission date: 28 April 2011

Information on the Issuer:

Full name of the Issuer: ATM S.A.

Short name of the Issuer: ATM

Sector according to Warsaw Stock Exchange classification: Information technology

Post code: 04-186

City: Warsaw

Street name: Grochowska

Number: 21a

Phone: (22) 51 56 660

Fax: (22) 51 56 600

e-mail: inwestor@atm.com.pl

website: www.atm.com.pl

NIP (Tax Id No): 113-00-59-989

REGON (Statistical Id No): 012677986

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

TOTAL INCOME STATEMENT

		<u>For the period</u> <u>01/01 -</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01 -</u> <u>31/12/2009</u>
Continued operations			
Sales revenue	3	401,779	286,462
Cost of sales (variable)	4	271,235	179,317
Cost of sales (fixed)	4	30,968	27,235
Gross profit (loss) on sales		99,577	79,910
Other operating revenues	5	1,581	2,354
Selling costs	4	251	351
General and administrative costs	4	64,842	62,755
Other operating expenses	6	2,914	2,280
Restructuring costs		-	-
Operating profit (loss)		33,150	16,878
Share in the financial result of undertakings valued using the equity method		1,032	1,958
Financial revenue	7	9,152	2,106
Financial expenses	8	17,393	9,276
Profit (loss) before tax		25,941	11,666
Income tax	9	4,544	1,798
Net profit (loss) on continued operations		21,397	9,868
Discontinued operations			
Net profit (loss) on discontinued operations		-	-
Net profit (loss)		21,397	9,868
Other total income			
Share in other total income of associates		-	-
Income tax related to other total income items		-	-
Other total net income		-	-
Total amount of total income		21,397	9,868
Net profit (loss) for the Group's shareholders		20,438	9,828
Net profit (loss) for minority shareholders		959	40
Profit (loss) per share *)			
From continued operations:			
Ordinary		0.59	0.27
Diluted		0.59	0.27
From continued and discontinued operations:			
Ordinary		0.59	0.27
Diluted		0.59	0.27

EBITDA

55,96336,606**CONSOLIDATED FINANCIAL SITUATION STATEMENT – ASSETS**

		<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Fixed assets			
Goodwill	11	18,580	18,580
Intangible assets	12	67,373	33,480
Tangible fixed assets	13	181,653	147,237
Investments in associates consolidated using the equity method		67,640	66,608
Other financial assets	14	80	80
Deferred income tax assets	9	1,374	1,037
Other fixed assets	15	2,310	5,174
		<u>339,010</u>	<u>272,196</u>
Current assets			
Inventories	16	25,997	6,337
Financial assets held for trading	14	94	124
Trading and other receivables	17	121,521	67,681
Income tax receivables		26	539
Other current assets	18	9,948	13,881
Other financial receivables	18	-	-
Cash and cash equivalents	19	40,269	5,961
		<u>197,855</u>	<u>94,523</u>
Fixed assets classified as held for sale		<u>-</u>	<u>-</u>
Total assets		<u>536,865</u>	<u>366,719</u>

CONSOLIDATED FINANCIAL SITUATION STATEMENT — LIABILITIES

		<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Equity			
Share capital	20	34,723	34,723
Supplementary capital from share premium		159,030	159,030
Revaluation reserve	20	-	72
Treasury shares		(13)	(8)
Capital reserves		38,298	30,608
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	20	35,424	23,392
Total Group shareholders' equity		267,462	247,817
Non-controlling shares	21	7,811	8,218
Total shareholders' equity		275,273	256,035
Long-term liabilities			
Long-term loans	22	1,889	2,620
Provisions for deferred tax	9	-	-
Provisions for liabilities	23	-	7
Long-term trade and other liabilities	24	31,436	2,489
Other financial liabilities	26	22,546	15,746
		55,871	20,862
Short-term liabilities			
Bank and other loans	22	13,846	7,698
Provisions for liabilities	23	-	308
Income tax liabilities		2,467	321
Trading and other liabilities	25	173,405	69,893
Other financial liabilities	26	16,003	11,602
		205,721	89,822
Liabilities related directly to fixed assets classified as held for sale		-	-
Total liabilities		536,865	366,719

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	<u>Core capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total Group shareholders' equity</u>	<u>Minority share</u>	<u>Total equity</u>
As at 1 January 2010	34,723	159,030	(8)	30,608	72	23,392	247,817	8,218	256,035
Increases:									
Issue of shares	-	-	-	-	-	-	-	-	-
Current period results	-	-	-	-	-	20,438	20,438	959	21,397
Share subscription under the stock option plan	-	-	8	-	-	-	8	-	8
Valuation of management options	-	-	-	-	-	1,441	1,441	-	1,441
Changes to the Group's structure	-	-	-	-	-	-	0	-	0
Profit distribution	-	-	-	9,047	-	-	9,047	-	9,047
Sale of treasury shares under the Incentive Scheme	-	-	2,335	714	-	-	3,049	-	3,049
Revaluation	-	-	-	-	-	-	-	-	-
Decreases:									
Purchase of treasury shares under stock option plan	-	-	2,348	-	-	-	2,348	-	2,348
Adjustment of previous years' results	-	-	-	-	-	-	-	-	-
Adjustment concerning the result from previous years — changes in minority share	-	-	-	-	-	800	800	1,366	2,166
Current period results	-	-	-	-	-	-	-	-	-
Profit distribution to be allocated to reserve capital	-	-	-	-	-	9,047	9,047	-	9,047
other	-	-	-	-	72	-	72	-	72
Financing of incentive scheme	-	-	-	2,071	-	-	2,071	-	2,071
As at 31 December 2010	34,723	159,030	(13)	38,298	-	35,424	267,462	7,811	275,273

	<u>Core capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total Group shareholders' equity</u>	<u>Minority share</u>	<u>Total equity</u>
As at 1 January 2009	34,397	157,252	(1,984)	21,320	0	24,712	235,697	6,070	241,767
Increases:									
Issue of shares	326	1,778	-	-	-	-	2,104	48	2,152
Current period results	-	-	-	-	-	9,828	9,828	-	9,828
Share subscription under the stock option plan	-	-	1,992	(1,701)	-	-	291	-	291
Valuation of management options	-	-	-	-	-	(1,546)	(1,546)	-	(1,546)
Changes to the Group's structure	-	-	-	-	-	-	-	2,100	2,100
Profit distribution	-	-	-	10,989	-	-	10,989	-	10,989
Revaluation	-	-	-	-	72	-	72	-	72
Decreases:									
Purchase of treasury shares under stock option plan	-	-	16	-	-	-	16	-	16
Adjustment of previous years' results	-	-	-	-	-	-	-	-	-
Adjustment concerning the result from previous years - changes in minority share	-	-	-	-	-	149	149	-	149
Current period results	-	-	-	-	-	-	-	-	-
Profit distribution to be allocated to reserve capital	-	-	-	-	-	9,273	9,273	-	9,273
Dividend payout	-	-	-	-	-	180	180	-	180
Financing of incentive scheme	-	-	-	-	-	-	-	-	-
As at 31 December 2009	34,723	159,030	(8)	30,608	72	23,392	247,817	8,218	256,035

CONSOLIDATED CASH FLOW STATEMENT

	<u>For the period 01/01 -</u> <u>31/12/2010</u>	<u>For the period 01/01 -</u> <u>31/12/2009</u>
Operating activities		
Profit (loss) before tax	25,941	11,666
Adjustment by items:	55,246	32,108
Share in net loss (profit) of undertakings valued using the equity method	1,032	1,958
Amortization and depreciation	22,684	19,728
FX gains/losses	2,276	2,416
Interest received	89	24
Interest paid	4,687	2,303
Dividends received	0	0
(Profit) loss on investment activities	280	473
Movements in inventories	(16,118)	8,379
Movements in receivables	(60,602)	6,645
Movements in liabilities and provisions	103,327	6,403
Movements in other assets	3,297	(9,384)
Income tax paid	(2,192)	(2,224)
Other	(2,610)	(4,613)
	81,187	43,774
Investing activities		
Expenses on tangible fixed assets purchases	(42,816)	(28,210)
Expenses on financial asset purchases	379	
Revenue from sales of tangible fixed assets	12,633	11,811
Repayments of long-term loans	-	
Long-term loans granted	-	-
Revenue from sales of financial assets	-	(94)
Interest received	-	-
Dividends received	-	-
FX gains/losses	43	(111)
Other	(43)	12
	(29,805)	(16,592)
Financing activities		
Net proceeds from issue of shares and other capital contributions	-	2,209
Subsidies received	360	37
Proceeds from loans	6,991	591
Repayments of loans	(2,495)	(14,940)
Purchase of treasury shares	(2,352)	(16)
Payment of liabilities arising from finance leases	(14,387)	(10,769)
Dividends paid		
Interest received	10	22
Interest paid	(4,855)	(2,257)
Other profit-sharing		-
FX gains/losses	(236)	(158)
Other	(109)	78
	(17,074)	(25,203)
Movements in cash	34,307	1,979
Opening balance of cash	5,961	3,982
Closing balance of cash	40,269	5,961

ADDITIONAL NOTES

NOTE 1 BASIC INFORMATION

1. Information concerning the parent undertaking

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 10 July 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 16 May 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 Warsaw Stock Exchange. The ownership structure as at 31 December 2010 and 31 December 2009 has been presented in Note 20.

According to the Warsaw Stock Exchange classification, the core business of the Company concerns the IT sector. The Company's core business includes ICT services combining skills and resources related to telecommunications, ICT systems integration, as well as software development and deployment. In the period covered by the present financial statements, ATM S.A. provided services in the following fields:

- 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;
- ICT systems integration, including integration of computer networks and data storage and processing systems along with:
 - application solutions;
 - multimedia solutions and services;
- mobile payments.

As at 31 December 2010, the Management Board included:

- Roman Szwed — Management Board President
- Tadeusz Czichon — Management Board Vice-President
- Maciej Krzyżanowski — Management Board Vice-President

The Supervisory Board as at 31 December 2010 included:

- Jan Wojtyński — Supervisory Board Chairman
- Tomasz Tuchołka — Supervisory Board Deputy Chairman
- Sławomir Kamiński — Member
- Grzegorz Domagała — Member
- Mirosław Panek — Member

2. Information concerning undertakings included in the Group of Companies

In 2010, the following changes occurred with respect to the ATM S.A. Group of Companies:

- on 28 January 2010, the share capital of mPay S.A. was increased by PLN 500,000. The new shares were in whole taken up by ATM S.A.,

- on 30 March 2010, ATM S.A. acquired 10,800 shares of KLK S.A. As a result of this transaction, ATM S.A. as at 30 March 2010 held 91.3% of the capital entitling to 91.3% votes at the General Meeting,
- on 22 April 2010, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 500,000, as a result of which the subscription of 1,000,000 shares by ATM S.A. was approved,
- on 25 May 2010, all ATM S.A. shares in iloggo Sp. z o.o. in liquidation were sold,
- on 1 June 2010, the resolution on increasing the share capital of mPay S.A. was adopted, as a result of which ATM S.A. took up 600,000 shares for the amount of PLN 300,000,
- on 10 September 2010, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 300,000, as a result of which the subscription of 600,000 shares by ATM S.A. was approved,
- on 14 September 2010, the resolution on increasing the share capital of mPay S.A. was adopted, as a result of which ATM S.A. took up 600,000 shares for the amount of PLN 300,000,
- on 14 September 2010, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, issued a decision on closing of liquidation proceedings of Rec-Order sp. z o.o. Thus the Company was removed from the register,
- on 12 October 2010, ATM S.A. acquired 8.70% of shares in KLK S.A. As a result of this transaction, ATM S.A. obtained 100% of share capital entitling to 100% of votes at the General Meeting,
- on 16 November 2010, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 300,000, subscribed for in full by ATM S.A.,
- on 3 January 2011, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the merger of ATM Systemy Informatyczne Sp. z o.o. and KLK S.A. as a result an entity under the business name ATM Systemy Informatyczne Spółka Akcyjna was created, in which 100% of share capital and 100% of votes at the General Meeting are held by ATM S.A.,
- on 4 January 2011, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 1,075,000, subscribed for in full by ATM S.A.

As at the date of publication of this report, the Group of Companies included the following subsidiaries apart from the Issuer:

Company name	Core business	Dependence	Stake in share capital	Share in the overall number of votes
ATM Systemy Informatyczne S.A.*	ICT systems integration	Subsidiary	100%	100%
ATM Software Sp. z o.o.	Systems integration, multimedia software	Subsidiary	100%	100%
Impulsy Sp. z o.o.	Systems integration, software for the healthcare sector	Subsidiary	78%	78%
Sputnik Software Sp. z o.o.	Systems integration, software for administration	Subsidiary	60%	60%
mPay International Sp. z o.o.	Mobile payments, owner of part of shares in mPay S.A.	Subsidiary	60%	60%
mPay S.A.	Mobile payments	Subsidiary	60,96%	60,96%

* ATM Systemy Informatyczne S.A. — a company established as a result of a merger of ATM Systemy Informatyczne Sp. z o.o. (the merged company) and KLK S.A. (the merging company). The combined company changed its name to ATM Systemy Informatyczne S.A. The resolution regarding the merger was adopted by the General Meeting of Shareholders on 27 December 2010. The merger was registered as at 3 January 2011 and recognized in books of 2011.

Companies consolidated using the equity method:

Company name	Core business	Dependence	Stake in share capital	Share in the overall number of votes
Linx Telecommunications B.V.	Telecommunications services	Associate	21,27%	21,27%

3. Grounds for the drawing up of financial statements

The present 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 29 September 1994 (Journal of Laws 2002, No 76, 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 19 February 2009 regarding current and periodical information submitted by issuers of securities (Journal of Laws 2009, No 33, item 259).

NOTE 2 MATERIAL ACCOUNTING POLICIES

The fiscal year shall be a calendar year.

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

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

1. Compliance statement

The consolidated financial statements of the ATM S.A. Group for the period ending on 31 December 2010 and comparable data for the fiscal year ending on 31 December 2009 have been drawn up in accordance with the International Financial Reporting Standards as approved by the European Union.

2. Adoption of International Financial Reporting Standards

Standards and interpretations first applied in 2010

The following amendments to the existing standards published by the International Accounting Standards Board and approved by the EU came into force in 2010:

- **IFRS 1 (amended) "First-time Adoption of IFRS"** — approved within the EU on 25 November 2009 (effective in relation to annual periods starting on 1 January 2010 or after this date),
- **IFRS 3 (amended) "Business Combinations"** — approved within the EU on 3 June 2009 (effective in relation to annual periods starting 1 July 2009 or after this date),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** — additional exemptions for entities using IFRS for the first time, approved within the EU on 23 June 2010 (effective in relation to annual periods starting on 1 January 2010 or after this date),
- **Amendments to IFRS 2 "Share-based Payment" — Group cash-settled share-based payment transactions** approved within the EU on 23 March 2010 (effective in relation to annual periods starting on 1 January 2010 or after this date),
- **Amendments to IAS 27 "Consolidated and Separate Financial Statements"** — approved within the EU on 3 June 2009 (effective in relation to annual periods starting on 1 July 2009 or after this date),

- **Amendments to IAS 39 "Financial instruments: recognition and valuation"** — Eligible Hedge Items, approved within the EU on 15 September 2009 (effective in relation to annual periods starting on 1 July 2009 or after this date),
- **Amendments to various standards and interpretations "Amendments to IFRS (2009)"** — amendments made under introduction of annual amendments to the Standards, published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16), directed at resolving inconveniences and specification of terminology, approved within the EU on 23 March 2010 (effective in relation to annual periods starting on 1 January 2010 or after this date),
- **IFRIC 12 Interpretation "Contracts for Licensed Services"**, — approved within the EU on 25 March 2009 (effective in relation to annual periods starting 30 March 2009 or after this date),
- **IFRIC Interpretation 15 "Agreements for the Construction of Real Estate"** — approved within the EU on 22 July 2009 (effective in relation to annual periods starting on 1 January 2010 or after this date),
- **IFRIC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"** — approved within the EU on 4 June 2009 (effective in relation to annual periods starting on 1 July 2009 or after this date),
- **IFRIC Interpretation 17 "Distribution of Non-cash Assets to Owners"** — approved within the EU on 26 November 2009 (effective in relation to annual periods starting on 1 November 2009 or after this date),
- **IFRIC Interpretation 18 "Distribution of Non-cash Assets to Owners"** — approved within the EU on 27 November 2009 (effective in relation to annual periods starting on 1 November 2009 or after this date).

The abovementioned standards, interpretations and amendments to the standards did not have significant impact on the accounting policy of the undertaking.

Standards and interpretations which have already been published and approved by the EU, but are not yet applicable

While approving the present financial statements, the Group did not apply the following standards, amendments and interpretations, which had already been published and approved for application within the EU, but were not yet applicable:

- **Amendments to IAS 24 "Related Party Disclosures"** — relief for government-related entities in relation to the amount of information such entities need to provide and clarification of the definition of a related party, approved within the EU on 19 July 2010 (effective in relation to annual periods starting on 1 January 2011 or after this date),
- **Amendments to IAS 32 "Financial Instruments: Presentation"** — recognition of issue of rights, approved within the EU on 23 December 2009 (effective in relation to annual periods starting on 1 February 2010 or after this date),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** — limited exemption from comparative IFRS 7 disclosures for first-time adopters of IFRS, approved within the EU on 30 June 2010 (effective in relation to annual periods starting on 1 July 2010 or after this date),
- **Amendments to IFRIC 14 "IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"** — prepayments of a minimum funding requirement, approved within the EU on 19 July 2010 (effective in relation to annual periods starting on 1 January 2011 or after this date),
- **Amendments to various standards and interpretations "Amendments to IFRS (2010)"** — amendments made under introduction of annual amendments to the Standards, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13), directed at resolving inconveniences and specification of terminology, approved within the EU on 18 February 2011 (effective in relation to annual periods starting on 1 July 2010 or 1 January 2011 or after their date, depending on the standard/interpretation),

- **IFRIC 19 Interpretation "Extinguishing Financial Liabilities with Equity Instruments"** — approved within the EU on 23 July 2010 (effective in relation to annual periods starting on 1 July 2010 or after this date).

The entity decided not to take advantage of the possibility to adopt the abovementioned standards, amendments and interpretations at an earlier date. According to the estimates of the entity, the abovementioned standards, interpretations and amendments to these standards would not have significant impact on financial statements if they had been applied by the entity as at the balance sheet date.

Standards and interpretations adopted by IASB, but not yet approved by the EU

IFRS as approved by the EU are, at present, not substantially different from regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments and interpretations, which had not yet been approved as at the date of publication of the financial statements:

- **IFRS 9 "Financial Instruments"** (effective in relation to annual periods starting on 1 January 2013 or after this date),
- **IFRS 1 "First-time Adoption of IFRS"** — Heavy Hyperinflation and removal of strict deadlines for first-time adopters of IFRS (effective in relation to annual periods starting on 1 July 2011 or after this date),
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** — transfers of financial assets (effective in relation to annual periods starting on 1 July 2011 or after this date),
- **Amendments to IAS 12 "Income Tax"** — Deferred tax: realization of assets (effective in relation to annual periods starting on 1 January 2012 or after this date),

At the same time, besides the regulations adopted by the EU, there is also asset and liability portfolio hedge accounting, which has not been fully approved for application within the EU.

According to the estimates of the entity, asset or liability portfolio hedge accounting application according to **IAS 39 — "Financial instruments: recognition and valuation"** would not have significant impact on the financial statements if they had been fully approved for application at the balance sheet date.

3. Management Board estimates

In drawing up the present financial statements, the Management Board relies on estimates based on certain assumptions and judgements. 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 judgement concerning the value of individual items they concern.

With regard to certain significant issues, the Management Board 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 for 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 in accordance with 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. 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 pension benefits at the end of the employment period have not been recognized in the financial statements.

b) 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.

c) bonuses from producers for reaching annual volume of sales

The Group makes estimates concerning the bonuses from producers which the Company should receive for the orders in the fiscal year. The bonus is estimated based on the historical data and information concerning the counterparty's current promotional campaigns.

d) other

Apart from the aforementioned issues, the Group makes regular (at least annual — at 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 lower 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 day on which control is transferred to the Group. Intercompany 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 share in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Intangible assets

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

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 after 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.

Expenditure incurred in order to obtain perpetual land usufruct rights is also included in intangible assets. Perpetual usufruct of land is considered operating lease and so the subject of usufruct is not included in the assets. However, the expenses incurred in order to obtain such rights on 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 entity 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. 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	3–5 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.

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

Tangible fixed assets

Tangible fixed assets include fixed assets and expenditure for fixed assets under construction which the entity 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 entity. 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.

Fixed assets under construction for production, rental or administrative purposes, as well as for purposes not yet specified are recognized in the financial statements at cost of production less impairment write-downs. The cost of production includes charges and, for specific assets, borrowing costs capitalized in accordance with the Group's accounting principles. Depreciation of these fixed assets begins when they are first used, in accordance with the principles concerning other fixed assets.

The rates adopted for the depreciation of fixed assets, including components and specialist replacement parts, reflect their predicted useful life. The estimated useful life is verified every year. Fixed assets are depreciated using the declining balance method. 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
vehicles	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 on 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 assets 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 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. Derivatives, 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. As at the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

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.

As at 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 bankruptcy petition 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 in accordance with 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.

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. As at the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

d) Financial assets available for sale

The Group 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 Group 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. As at 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 as at 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.

The Group did not apply hedge accounting in the periods covered by the financial statements.

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. As at 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. As at 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.

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. As at 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 as at 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 Company'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. As at 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 as at 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 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 in accordance with 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 financial statements.

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 exchange rate actually applied on that date, resulting from the nature of the operations — 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 Company'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 Company in the periods included in the present financial statements were as follows:

Currency	Average National Bank of Poland rate as at 31 December 2010	Average National Bank of Poland rate as at 31 December 2009
EUR	3.9603	4.1082
USD	2.9641	2.8503
100 JPY	3.6440	3.0890

Pursuant to IAS 1 *Presentation of Financial Statements* § 19, the Issuer's Management Board decided that compliance with the requirement of IAS 21 *The Effects of Changes in Foreign Exchange Rates* in relation to foreign currency valuation of liabilities resulting from lease agreements would be confusing and the financial statements would fail to fulfil their purpose, specified in *The conceptual framework*. Therefore, beginning from the financial statements for 2008, the Group withdrew from full application of the said requirement and adopted a modification to it, discussed below.

Pursuant to IAS 21 § 28, exchange rate differences in the revaluation of lease liabilities, resulting from an alteration in foreign exchange rates, should be included in the financial result for the current reporting period. Because of the global financial crisis, significant and rapid fluctuations in currency exchange rates have occurred, beginning from the fourth quarter of 2008. In this situation, recognition of the valuation of currency lease liabilities in profit and loss account would result in a substantial change in the Company's profit in a given reporting period, unrelated to the factual state of the Company's business activity. Only a small portion of exchange rate differences on lease liabilities related to instalments paid in a given reporting period concerns the current reporting period, while the majority of these differences concerns well-defined future periods for which the payment date of subsequent lease instalments falls. Costs or loss on the revaluation of lease liabilities shall be actually realised (it will affect the Company's finances) in future periods, taking into account the actual currency exchange rates as at the dates of lease instalments payment.

Therefore, pursuant to IAS 1 § 19, the Group adopted (for the first time in the financial statements for 2008) a partial exemption from IAS 21, i.e. exchange rate differences on currency lease liabilities were recognized as the Company's financial costs for a given reporting period only in the portion concerning actually paid instalments. The remaining amount of exchange rate differences is recognized in the accruals, which are recognized in financial costs for individual quarterly periods of lease instalments repayment. Simultaneously, accruals shall be adjusted for subsequent exchange rate differences arising on lease liabilities (both gains and losses). This exemption from IAS 21 is also applied by the Company in the current financial statements.

Detailed calculations and financial implications of the adopted solution for presenting exchange rate differences on currency lease liabilities have been presented in Note 26: Other financial liabilities.

Leasing

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

Assets used pursuant to finance lease agreements are treated as Company 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

As 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 with deferred payment is 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 directly related to acquisition or production of assets which require longer time in order to commission them for use are recognized as costs of production of such assets until the assets are in principle ready for intended use or sale.

Revenue from investments earned as a result of short-term investment of acquired external funds directly allocated to the financing of acquisition or production of assets reduces the borrowing costs subject to capitalization.

All other borrowing costs are recognized directly in the profit and loss account in the period in which they were incurred.

The abovementioned capitalization principles are not applied to:

- assets at fair value and
- inventories produced at large quantities on a continuous basis and highly rotating.

Government subsidies

Subsidies are not recognized until there is substantiated certainty that the Group meets the necessary conditions and is granted such subsidies.

Profits from a granted government loan with an interest rate under market interest rate are treated as subsidies and are measured as a difference between the amount of loan granted and the fair value of the loan established using a relevant market interest rate.

Subsidies conditioned by the purchase or manufacture of fixed assets by the Company are recognized in the financial situation statement in receivables and systematically recognized in the profit and loss account during the expected useful lives of these assets.

Other subsidies are systematically recognized in the revenue, in the period necessary to compensate the expenses which the subsidies were dedicated to compensate. Subsidies due as a compensation of expenses or losses already incurred or as a form of direct financial support for the Company without incurring future expenses are recognized in the profit and loss account in the period in which they are due.

Rules applicable to the recognition of subsidies to fixed assets are also applied to transactions of gratuitous donation of fixed assets to the Company.

Employee benefits costs

Short-term employee benefits, including under defined contribution plans, are recognized in the period in which the Group receives the relevant benefits from an employee and, in the case of profit-sharing and bonus payments, provided the following conditions have been met:

- the Company has a legal or constructive obligation to make such payments as a result of past events and
- a reliable estimate of the expected cost can be made.

In the case of compensated absences, accumulating absences should be recognized as the employees render service that increases their entitlement. Non-accumulating absences are recognized when they occur.

Employee benefits are recognized as costs, unless they constitute the cost of production of assets.

Incentive Scheme

On 5 June 2008, the ATM S.A. Ordinary General Meeting of Shareholders approved the Incentive Scheme Regulations for ATM S.A. Group of Companies employees. The scheme is aimed at Company employees and partners, as well as members of the Management Boards and other employees and partners of ATM S.A. Group of Companies. As part of this scheme, in 2008–2010, the Management Board granted share purchase options to selected employees. Based on these options, the authorized persons will be able to purchase Company shares at the nominal price.

A capital reserve of PLN 13.5 million was allocated to finance the scheme.

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 fiscal year. Tax profit (loss) differs from accounting net profit (loss) due to the exclusion of taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the fiscal 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 as at 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.

The Group offsets the deferred tax assets and provisions and presents the result of such offsets in the balance sheet assets or liabilities, respectively.

NOTE 3 SALES REVENUE

	<u>For the period</u> 01/01- 31/12/2010	<u>For the period</u> 01/01-31/12/2009
Revenue from sales of products	256,532	193,762
Revenues from sales of goods and materials	<u>145,246</u>	<u>92,700</u>
Total sales revenue	<u>401,779</u>	<u>286,462</u>
of which:		
- to related undertakings	<u>1,043</u>	<u>923</u>

Values resulting from recharging of integration activities between ATM SA and ATM SI (amounting to PLN 168,852,000) were not included in the revenue.

Main products

In the reporting period, the Group provided ICT services related to the following areas:

- 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;
- ICT systems integration, including integration of computer networks and data storage and processing systems along with:
 - application solutions;
 - multimedia solutions and services;
- mobile payments.

For detailed description of products, see point 3.1 of the report on operations of the Group.

Operating segments

The Group distinguishes three operating segments in its activity.

Telecommunications activity is the first segment characterised by stable increases of revenue and profit in the consequent reporting periods. It includes the activity of ATM S.A. and Linx Telecommunications B.V. (an associate, Linxtelecom's operating results are not consolidated).

ICT systems integration is another segment responsible for the biggest portion of revenue. It comprises the activity carried out in 2010 by: ATM Systemy Informatyczne Sp. z o.o., ATM Software Sp. z o.o., KKK S.A., Impulsy Sp. z o.o., Sputnik Software Sp. z o.o. and inONE S.A. This activity is characterised by a high increase of results in 2010, in comparison with the preceding years, and by very good prognosis for 2011.

Finally, mobile payment services (payments made with the use of a mobile phone) are the third crucial segment, including the activity of subsidiaries: mPay S.A. and mPay International Sp. z o.o. In this segment losses in 2010 were considerably lowered, but it still brings no profits.

The basic financial parameters of the distinguished segments are presented below:

<u>For the period 01/01 - 31/12/2010</u>	Telecommunications	ICT systems integration	Mobile payments	Consolidation eliminations	Total
Fixed assets	279,065	49,927	11,259	(1,240)	339,010
Sales revenue	116,832	312,283	1,963	(28,083)	401,779
Sales margin*	62,270	67,228	1,046	-	130,544
Operating profit (loss)	15,872	18,849	(1,688)	118	33,150

<u>For the period 01/01 - 31/12/2009</u>	Telecommunications	ICT systems integration	Mobile payments	Other	Total
Fixed assets	196,316	40,675	11,504	23,702	272,197
Sales revenue	90,367	191,712	771	3,613	286,463
Sales margin*	50,554	53,605	243	2,744	107,146
Operating profit (loss)	13,975	6,923	(4,573)	553	16,878

* Sales revenue less variable selling costs

Geographical operation segments as at 31 December 2010 and 2009

	<u>For the period</u> <u>01/01-</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01-</u> <u>31/12/2009</u>
Domestic sales	395,040	281,157
Export	6,739	5,305
Total sales revenue	<u>401,779</u>	<u>286,462</u>

NOTE 4 OPERATING COSTS

	<u>For the period</u> <u>01/01-</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01-</u> <u>31/12/2009</u>
Cost of sales (variable)	271,235	179,668
Cost of sales (fixed)	30,968	27,235
Selling costs	251	
General and administrative costs	64,842	62,755
Total costs related to core operations	<u>367,296</u>	<u>269,658</u>
of which:		
Amortization and depreciation	22,716	19,728
Adjustment by received subsidies to fixed assets	(393)	(2,826)
Consumption of materials and energy	59,897	50,851
Outsourcing	137,298	108,210
Taxes and other charges	2,297	2,321
Payroll	37,569	38,773
Employee benefits	7,764	6,853
Other	1,634	649
Value of goods and materials sold	99,350	42,585
	<u>368,132</u>	<u>267,144</u>
change in stock position	(836)	2,514
	<u>367,296</u>	<u>269,658</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 the period</u> <u>01/01-</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01-31/12/2009</u>
Salary from employment contracts	38,225	38,292
Salary from fixed amount contracts	564	481
Social insurance costs	5,312	5,425
Costs of retirement benefits	0	15
Other benefits after the employment period	0	-
Charges to Enterprise Social Benefit Fund	70	69
Other employee benefits	1,162	1,344

<u>45,333</u>	<u>45,626</u>
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Payroll

Salary costs include salaries payable in accordance with 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 2010 and 2009, those contributions amounted to 17.99% and 17.77% of the contribution calculation base determined pursuant to applicable laws.

Pension benefit costs include retirement severance paid to employees pursuant to the Labor Code. ATM S.A. is not party 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 at the end of the employment period have not been recognized in the financial statements.

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.

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 the period</u> <u>01/01–</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01–</u> <u>31/12/2009</u>
Costs included directly in costs related to core operations	-	-
Amortization costs related to deferred development work costs	<u>2,968</u>	<u>4,461</u>
	<u>2,968</u>	<u>4,461</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.

**NOTE 5
OTHER OPERATING REVENUES**

	<u>For the period</u> <u>01/01—</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01—</u> <u>31/12/2009</u>
Profit from the sale of fixed assets	38	592
Reversal of receivable write-downs	80	100
Reversal of inventories revaluation write-downs	-	-
Damages received	531	255
Write-downs on overdue liabilities	34	39
Reversal of provision for expenses	111	-
Subsidies received	489	376
Other	298	992
	<u>1,581</u>	<u>2,354</u>

Revenue and profit that are not directly related to Company 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.

NOTE 6 OTHER OPERATING EXPENSES

	<u>For the period</u> 01/01– 31/12/2010	<u>For the period</u> 01/01– 31/12/2009
Loss from the sale and liquidation of fixed assets	154	96
Receivable write-downs		
Inventories revaluation write-downs	2	-
Impairment write-downs	-	-
Donations given	86	183
Costs of litigations	65	36
Accident repair costs	58	
Costs of the Incentive Scheme	1,688	1,297
Other	747	389
	<u>2,914</u>	<u>2,280</u>

Costs and losses related to Company 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, costs of litigations and the costs related to receivable write-downs and impairment write-downs.

NOTE 7 FINANCIAL REVENUE

	<u>For the period</u> 01/01–31/12/2010	<u>For the period</u> 01/01– 31/12/2009
Dividends received	-	-
Interest on bank deposits	74	43
Interest on deferred and overdue payments	424	1,339
Interest on securities	-	-
Interest on loans	124	4
FX gains	130	635
Valuation of financial instruments	8,386	
Other	14	85
	<u>9,152</u>	<u>2,106</u>

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. Financial operations also include foreign exchange gains.

NOTE 8 FINANCIAL COSTS

	<u>For the period</u> <u>01/01–</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01–</u> <u>31/12/2009</u>
Interest on bank loans	1,180	1,270
Interest on loans	148	883
Interest on instalment purchases	1,599	8
Interest on overdue payments	10	3
FX losses	2,999	5,755
Finance lease costs	2,011	1,345
Valuation of financial instruments	7,910	
Bank fees	683	
Other	852	12
	<u>17,393</u>	<u>9,276</u>

Borrowing costs, interest payable under finance lease agreements to which the Company is a party and FX losses are classified as financial expenses.

The terms and conditions pursuant to which the Company has used external sources of funding (bank loans) have been presented in Note 22.

NOTE 9 INCOME TAX

	<u>For the period</u> <u>01/01–</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01–</u> <u>31/12/2009</u>
Statutory tax rate	<u>19%</u>	<u>19%</u>
<i>Current income tax</i>		
Current tax expense	4,939	1,200
Adjustments concerning previous years	-	-
	<u>4,939</u>	<u>1,200</u>
<i>Deferred income tax</i>		
Related to the origination and reversal of temporary differences	(395)	598
Related to change in the tax rate	-	-
	<u>(395)</u>	<u>598</u>
Tax expense shown in the profit and loss account	<u>4,544</u>	<u>1,798</u>

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 fiscal year in question. Since 2004, the rate applicable pursuant to amended regulations has amounted to 19%. Current regulations do not provide for any differences in tax rates during future periods.

With respect to income tax, the Group is subject to general regulations. As at 31 December 2010, the Group did not operate in a Special Economic Zone, which would cause the principles for determining tax expense to differ from general regulations in this respect. Both the tax and balance sheet years coincide with calendar years.

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

	<u>For the period</u> <u>01/01–</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01–</u> <u>31/12/2009</u>
Gross pre-tax earnings	<u>25,941</u>	<u>11,666</u>
Effective tax rate	<u>19%</u>	<u>19%</u>
Tax at the statutory rate	<u>4,929</u>	<u>2,217</u>
Tax impact of income not recognized as income according to tax regulations	(254)	
Tax impact of income not recognized as income according to accounting regulations	50	
Tax impact of expenses not recognized as expenses according to tax regulations	2,390	(139)
Tax impact of expenses not recognized as expenses according to accounting regulations	(2,753)	(143)
Tax impact of tax losses deducted during the period	272	1,441
Tax impact of tax losses incurred during the period	<u>(90)</u>	<u>(1,578)</u>
Tax at the effective rate	<u>4,544</u>	<u>1,798</u>
Effective tax rate	<u>18%</u>	<u>15%</u>

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. Deferred income tax as at 31 December 2010 and 31 December 2009 results from the items shown in the table below.

	Financial situation statement		Total income statement	
	End of period 31/12/2010	End of period 31/12/2009	For the period 01/01– 31/12/2010	For the period 01/01– 31/12/2009
Deferred tax provision				
Difference between the balance sheet and tax value of property, plant and equipment	3,483	3,372	111	1,260
Recognized service revenue	114	213	(99)	203
Damages receivable	-	-	-	-
Interest accrued	47	25	22	(3)
Valuation of financial instruments	97	6	91	(8)
Foreign exchange gains	144	13	131	13
Accruals	59			
Provisions for deferred tax acquired as a result of business combination	-	-	-	-
Gross deferred tax provision	3,944	3,629	256	1,465
Deferred tax assets				
Valuation of financial instruments	1	2	1	(2)
Difference between the balance sheet and tax value of property, plant and equipment	2	1	(1)	
Deferred payment revenue	56	157	101	98
Revenue calculated in time	74	3	(71)	(2)
Inventory write-downs	383	337	(46)	55
Receivable write-downs	87	104	17	(9)
Written-off financial assets under litigation	-	80	80	(25)
Provisions for service expenses	1,886	718	(1,168)	(581)
Provisions for employee benefits	16	-	(15)	99
Foreign exchange losses	103	18	(85)	54
Liabilities due to Social Insurance Institution	1	1	(0)	(1)
Liabilities due to employees	-	1	1	109
Accruals	-		-	589
Subsidies received	9	50	41	(24)
Valuation effects of forward contract — hedge accounting	-		-	
Recognized interest	-	2	2	(2)
Tax losses to be deducted	2,700	3,199	500	(1,232)
Deferred tax assets acquired as a result of business combination	-	(7)	(7)	7
Gross deferred tax assets	5,318	4,666	(651)	(867)
Net tax assets (tax provision)	1,374	1,037		
Deferred income tax charge on profit			(395)	598

NOTE 10 EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

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

ATM S.A. shares are ordinary shares and no preference is attached to them concerning either voting rights or dividend payouts.

	<u>For the period</u> <u>01/01–</u> <u>31/12/2010</u>	<u>For the period</u> <u>01/01–</u> <u>31/12/2009</u>
Weighted average number of shares	36,343,344	36,343,344
Net profit for 12 months (PLN thousand)	21,397	9,868
Net earnings per share (PLN)	0.59	0.27

Dividends paid and declared

The dividend policy, announced by the Issuer's Management Board in the current report No 25/2006 of 8 June 2006, made the dividend amount paid per share dependent on share prices in the last month of the year. In accordance with this policy, the dividend amount paid per one share should be calculated on the basis of the average closing rate of ATM shares as at December 2010, in accordance with the rate of EURIBOR 12M for EUR, increased by 0.5%.

The Issuer's Management Board will suggest to the Company's General Meeting that part of the profit from 2010 be used for dividend payout. In accordance with the dividend policy, this should amount to PLN 0.23 per share, which amounts to the total value of dividend of PLN 8,358,969.12.

NOTE 11 GOODWILL

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

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
mPay Group	131	131
KLK Sp. z o.o.	12,789	12,789
Sputnik Software Sp. z o.o.	3,078	3,078
Impulsy Sp. z o.o.	2,582	2,582
	<u>18,580</u>	<u>18,580</u>

The entire goodwill arises from consolidation of undertakings in which the Issuer purchased shares in years 2006–2009.

As at 31 December 2010, the goodwill was tested for impairment, in accordance with IAS 36. The analysis was prepared based on 5-year forecasts, according to the prudence principle. No impairment of goodwill was identified as per the procedures followed.

NOTE 12 INTANGIBLE ASSETS

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
R&D expenses	12,936	19,543
Concessions and licenses	11,768	7,540
Perpetual usufruct rights	34,393	298
Other intangible assets	4,676	6,099
	<u>63,773</u>	<u>33,480</u>
of which:		
Intangible assets used under finance lease agreements	197	-

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

As at 31 December 2010, development work includes the following projects developed in-house:

PC TV Platform under the ATM InternetTV

An in-house project developed by the Company 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 partners.

The next stage was the incorporation of a live program distribution mode to the ATM InternetTV and enhancement of the system with services for mobile telephony providers. In 2008, Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o.o, which is fully owned by ATM S.A. (currently ATM Software Sp. z o.o.) started its business activity. It took over the team responsible for ATM InternetTV project and continues developing this technology.

In 2010, the Company did not incur expenditure on development work concerning this platform.

POS TV Platform under the ATM IndoorTV

From August 2005 to May 2006, the Company developed an in-house project called the SSM (Spread Screens Manager). Under this project, an ATM IndoorTV technology platform was developed for the remote management of point-of-sales advertising content broadcasting (POS TV — Point of Sales Television). ATM S.A. installs terminals (computers with LCD screens and wireless links) at locations agreed with the customer, e.g. near checkout counters at stores or at travel agencies. Subsequently, the Issuer receives video content as well as other information from the customer and agrees the broadcasting scenarios. The content is distributed to terminals via a mobile communications network (GPRS/EDGE/UMTS) or via Internet connections. The terminals are controlled and the proper execution of scenarios is supervised in the same manner. It is a comprehensive service covering the lease of terminals (screens), communications network operation and access to the SSM platform. The last several quarters saw technological integration of the SSM solution into the ATM InternetTV service platform. In 2010, the Company did not incur expenditure on development work concerning this platform.

Atmeus

Within the framework of another in-house project that was underway from June to December 2005, ATM S.A. developed the Atmosfera BCP, later renamed to ATM BCP. The current version is sold and implemented under a new brand name Atmeus. The functionality of the product is gradually extended depending on the customers' needs. The product addresses Business Continuity Planning by supporting threat analysis and the development, updating and implementation of contingency plans. It meets the demand of the banking sector, assisting banks in satisfying the requirements of banking supervision

recommendations related to the so-called New Capital Accord (Basel II). In 2010, the Company did not incur expenditure on development work concerning this platform.

Remote archive

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

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

In 2010, the Company did not incur expenditure on development work concerning this platform.

Voice over IP

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

This enables voice traffic to be integrated with data transmission services by developing a single universal network that can carry any kind of traffic. The services offer traditional telephone functionality as well as the convenient management of the customer's phone account via a webpage and many additional functions such as conference calls, call forwarding, IVR, etc. The solution offered by the Issuer enables customers to reduce ICT service expenses, particularly those related to phone calls, and ensures the seamless transition from traditional phone services towards an entirely IP-based network. In 2010, the Company did not incur expenditure on development work concerning this platform.

Atmosfera Service Desk

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

The Atmosfera system operates, inter alia, at such companies as Polska Telefonia Cyfrowa sp. z o. o. (the provider of Era and Heyah mobile networks), Agora SA, PLL LOT SA, Netia SA, Telewizja Polska SA and P4 Sp. z o. o. (the provider of the Play mobile network). The overwhelming majority of system users upgrades it regularly, including subsequent organization processes in its scope. In 2010, the Company did not incur expenditure on development work concerning this platform.

mPay mobile payments system

ATM S.A. has formed a consortium with its subsidiary mPay S.A. and is among the companies working on the "mPay mobile payments system" research and development project, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Program 1.4.1. Within the framework of the project, scenarios were developed with regard to the handling of various types of payment acceptors, methods for detecting fraud attempts and protecting against them are being perfected, and the user interface is being designed. In 2010, the Company did not incur expenditure on development work concerning this platform.

End of period
31/12/2010

End of period
31/12/2009

Impulsy software		1,462
mPay platform	3,750	2,705
	<u>3,750</u>	<u>4,167</u>

The costs of the aforementioned projects were tested for impairment as at 31 December 2010. 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 31 December 2010, there were no impairment write-downs concerning intangibles.

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

Movements in the amount of intangible assets during the period from 1 January to 31 December 2010

	<u>R&D expenses</u>	<u>Concessions and licenses</u>	<u>Perpetual usufruct rights</u>	<u>Other intangible assets</u>	<u>Total</u>
Gross value					
As at 1 January 2010	22,442	13,400	321	8,314	44,477
Increases:					
- acquisition	1,240	3,795	35,426	5	40,466
- developed in-house	1,633	-	-	-	1,633
- acquired as a result of business combination	-	-	-	-	-
- other (including finance lease)	-	2,345	-	-	2,345
Decreases:					
- sales	-	466	-	8	474
- liquidation	2,345	756	-	63	3,164
- relocations	-	-	-	-	-
As at 31 December 2010	22,970	18,318	35,747	8,248	85,283
Depreciation					
As at 1 January 2010	7,066	5,860	23	2,215	15,164
Increases:					
- amortization and depreciation	2,968	1,601	1,331	1,364	7,265
- impairment	-	-	-	-	-
- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale and liquidation	-	911	-	8	919
As at 31 December 2010	10,034	6,550	1,354	3,572	21,510
Net as at 31 December 2010	12,936	11,768	34,393	4,676	63,773

Movements in the amount of intangible assets during the period from 1 January to 31 December 2009

	<u>R&D expenses</u>	<u>Concessions and licenses</u>	<u>Perpetual usufruct rights</u>	<u>Other intangible assets</u>	<u>Total</u>
Gross value					
As at 1 January 2009	17,559	12,058	321	5,461	35,399
Increases:					
- acquisition	1,952	1,652	0	5,861	9,465
- developed in-house	886	0	0		886
- acquired as a result of business combination	-	0	0	-	-
Decreases:					
- sales	601	288	0	151	1,040
- liquidation	-	22	0	1	23
- relocations	-2,646	0	0	2,856	210
As at 31 December 2009	22,442	13,400	321	8,314	44,477
Depreciation					
As at 1 January 2009	2,773	4,586	13	893	8,265
Increases:					
- amortization and depreciation	4,461	1,455	10	1,322	7,248
- impairment	0	-	-	-	-
- acquired as a result of business combination	0	-	-	-	-
Decreases:					
- sale and liquidation	168	181		0	349
As at 31 December 2009	7,066	5,860	23	2,215	15,164
Net as at 1 January 2009	7,685	8,892	316	962	17,855
Net as at 31 December 2009	15,376	7,540	298	6,099	29,313

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	<u>End of period 31/12/2010</u>	<u>End of period 31/12/2009</u>
Property, plant and equipment		
Land	341	341
Structures and buildings	102,867	88,431
Machinery and equipment	46,504	33,309
Vehicles	5,807	5,975
Other	225	204
Fixed assets under construction	25,909	18,977
Advances for fixed assets under construction	-	-
	181,653	147,237
of which:		

Fixed assets used under finance lease agreements	<u>37,975</u>	<u>27,300</u>
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The Group has no liabilities to the State Treasury arising from the transfer of ownership title to real estate.

The Group uses fixed assets under finance lease agreements.

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 24.

In 2005, the Group sold a property situated at 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 25.

As at 31 December 2010, there were no impairment write-downs concerning fixed assets.

Changes in the amount of fixed assets have been presented in the following tables.

Movements in the amount of fixed assets from January 1 to December 31 2010

	Land	Structures and buildings	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2010	341	99,305	57,090	9,682	379	166,797
Increases:	-	-	-	-	-	-
- acquisition	-	20,284	7,575	68	55	27,981
- acquisition as a result of business combination	-	-	-	-	-	-
- other (including finance lease)	-	10	16,402	1,480	12	17,904
Decreases:	-	-	-	-	-	-
- sales	-	1,062	549	535	36	2,181
- liquidation	-	-	2,410	37	-	2,447
- finance lease expiry	-	-	643	188	-	831
- donations	-	-	-	-	-	-
- other	-	-	29	69	-	98
As at 31 December 2010	341	118,537	77,436	10,401	410	207,125
Depreciation						
As at 1 January 2010	-	10,874	23,781	3,708	174	38,537
Increases:	-	-	-	-	-	-
- amortization and depreciation	-	4,959	9,817	1,477	11	16,264
- impairment	-	-	4	-	-	4
- acquisition as a result of business combination	-	-	-	-	-	-
- other	-	-	3	-	-	3
Decreases:	-	-	555	85	-	640
- sale and liquidation	-	163	2,006	339	-	2,507
- donations	-	-	0	-	-	-
- other	-	-	656	252	-	908
As at 31 December 2010	-	15,670	30,932	4,594	185	51,381
Net as at 31 December 2010	341	102,867	46,504	5,807	225	155,744

Movements in the amount of fixed assets from 1 January to 31 December 2009

	Land	Structures and buildings	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2009	341	78,564	54,625	9,120	395	143,045
Increases:	-					
- acquisition	-	20,742	6,192	334	68	27,336
- acquisition as a result of business combination	-	-	-	-	-	-
- other (including finance lease)	-	-	4,247	1,002	-	5,249
Decreases:						
- sales	-	1	7,474	350	48	7,873
- liquidation	-	-	498	48	12	558
- finance lease expiry	-	-	-	376	24	400
- donations	-	-	-	-	-	-
- other	-	-	-	-	-	-
As at 31 December 2009	341	99,305	57,090	9,682	379	166,797
Depreciation						
As at 1 January 2009		7,326	17,981	2,832	184	28,323
Increases:						
- amortization and depreciation	-	3,548	7,790	1,490	15	12,843
- impairment	-				-	-
- acquisition as a result of business combination	-					-
Decreases:						
- sale and liquidation	-	-	1,990	239	1	2,230
- donations	-				-	-
- other	-			375	24	399
As at 31 December 2009	-	10,874	23,781	3,708	174	38,537
Net as at 1 January 2009						
Net as at 31 December 2009	341	88,431	33,309	5,974	205	128,260

NOTE 14 OTHER FINANCIAL ASSETS

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Shares in other undertakings	80	80
(-) impairment write-downs	-	
	<u>80</u>	<u>80</u>

NOTE 15 OTHER FIXED ASSETS

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Guarantee deposits	70	61
Trade receivables	1,903	4,916
Prepaid maintenance costs	186	186
Unearned financial income from instalment sales	-	11
Costs of the Incentive Scheme	151	-
	<u>2,310</u>	<u>5,174</u>
of which payable within:		
from 1 to 2 years	1,920	3,241
from 3 to 5 years	345	1,900
more than 5 years	45	33

Guarantee deposits include amounts retained by the 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 31 December 2010 and 31 December 2009, have payment dates of up to 2013. 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 instalments receivable have been discounted using 12M WIBOR rate and the market margin based on the Issuer's lending margin. Interest is recognized as financial revenue for relevant periods using the effective interest rate method.

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 instalment sale procedures.

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

NOTE 16 INVENTORIES

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Materials	4,804	3,414
Work in process	637	86
Finished products	-	-
Goods	21,886	4,005
Write-downs	(1,330)	(1,168)
	<u>25,997</u>	<u>6,337</u>

Inventories are valued based on the principles described in Note 2. 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.

NOTE 17 TRADE AND OTHER RECEIVABLES

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Trade receivables from related undertakings	<u>265</u>	<u>474</u>
Trade receivables from other undertakings	<u>117,503</u>	<u>63,294</u>
Tax receivables	<u>3,289</u>	<u>1,185</u>
Payments on account	<u>69</u>	<u>139</u>
Other receivables	<u>910</u>	<u>1,961</u>
Receivables under litigation	<u>177</u>	<u>390</u>
Unearned financial income from instalment sales	<u>(205)</u>	<u>436</u>
Write-downs	<u>(487)</u>	<u>(198)</u>
	<u>121,521</u>	<u>67,681</u>

Trade terms applicable to related undertakings have been presented in Note 28. Trade receivables do not bear interest and they are usually payable within 14 to 35 days. The Group recognises write-downs in full value of receivables overdue by over 360 days.

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

Analysis of the ageing structure of trade receivables

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
current, of which:	118,282	60,180
from related undertakings	264	473
from other undertakings	118,017	59,708
overdue, of which:	3,240	7,502
from related undertakings	0	1
under 180		1
180–360		
over 360		
from other undertakings	0	
under 180	3,240	7,500
180–360	2,707	7,125
over 360	190	131
	343	244
	121,521	67,681

Analysis of changes in write-downs for receivables

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Opening balance	198	571
Increases, of which:	558	279
- Recognition	558	279
Decreases, of which:	269	652
- Reversal	169	100
- Utilization	100	552
Closing balance	487	198

Analysis of the ageing structure of receivables under litigation

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
from other undertakings	176	390
under 360	10	
over 360	22	113
over 720	155	277
	177	390

NOTE 18**OTHER CURRENT ASSETS and OTHER FINANCIAL RECEIVABLES**

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Services of subcontractors related to future revenue	2,220	8,105
Financial lease interest	-	24
Prepaid maintenance costs	1,721	621
Unrealized exchange differences on lease agreements	3,671	3,862
Prepaid subscriptions, rents, insurance etc.	509	729
Recognized sales revenue	735	-
Other	1,092	540
	<u>9,948</u>	<u>13,881</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, revenue basis or on the basis of the amount of service, depending on their nature.

As it was stated in "Accounting principles — Foreign Currency Transactions", pursuant to IAS 1 §17, the Group adopted — analogically to the statements for 2008 and 2009 — a partial exemption from IAS 21 in the present financial statements, i.e. exchange rate differences on currency lease liabilities were recognized as the Company's financial costs for a given reporting periods only in the portion concerning actually paid instalments. The remaining amount of exchange rate differences is recognized in the accruals, which are recognized in financial costs for individual quarterly periods of lease instalments repayment. Simultaneously, accruals shall be adjusted for exchange rate differences arising on lease liabilities (both gains and losses). This exemption from IAS 21 shall be applied by the Company until currency exchange rates stabilize at the level reflecting the real purchase value of PLN, but no later than until expiry date of all liabilities under lease contracts denominated in foreign currencies (until 2013).

Detailed calculations and financial implications of the adopted solution for presenting exchange rate differences on currency lease liabilities have been presented in Note 26: Other financial liabilities.

NOTE 19 CASH AND CASH EQUIVALENTS

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Cash in hand	225	130
Cash in bank	7,261	4,014
Short-term deposits	32,783	1,817
	<u>40,269</u>	<u>5,961</u>

Cash in 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.

NOTE 20 EQUITY

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Registered share capital	34,526	34,526
Unsubscribed treasury shares under management option scheme	-	-
Hyperinflationary adjustment	197	197
	<u>34,723</u>	<u>34,723</u>

Registered share capital includes:

<u>Series</u>	<u>Number of shares</u>	<u>Face value</u>	<u>Registration date</u>	<u>Dividend registration rights</u>	<u>Paid for by</u>	<u>Share type</u>
A	36,000,000	34,200,000.00	5 December 2007	*)	Cash	Ordinary
B	343,344	326,176.80	9 September 2009	1 January 2009	Cash	Ordinary
<u>Total</u>	<u>36,343,344</u>	<u>34,526,176.80</u>				
	Face value per share (PLN):			<u>0.95</u>		

* all series A shares have equal rights to dividends

Incentive Scheme

Pursuant to Resolution No 11/2008 of the Ordinary General Meeting of Company Shareholders of 5 June 2008, an Incentive Scheme for ATM S.A. Group of Companies employees was approved for the years 2008–2010. This resolution allowed also for the purchase by the Company of no more than 1,500,000 treasury shares needed in connection with the Scheme in the years 2008–2010, for an amount not exceeding PLN 13.5 million. The Scheme is aimed at Company employees and partners, members of Management Boards and other ATM S.A. Group of Companies employees and partners. Incentive Scheme participants have the right to purchase shares at face value from the Company (share purchase options). The list of persons authorized to buy shares for each of the three periods is prepared by the ATM S.A. Management Board and approved by the Supervisory Board.

As at 31 June 2010, the Company owns 13,260 treasury shares at the value of PLN 12,597. These shares are held by the Company pursuant to the guidelines concerning the implementation of the Company's Incentive Scheme.

In 2008–2010, the following numbers of options were determined under the Incentive Scheme:

- in 2008: 444,400 share purchase options,
- in 2009: 314,100 share purchase options,
- in 2010: 286,820 share purchase options.

Unused options of a given period may be subsequently used in the remaining periods. In justified cases, the number of options determined for a given period may be increased by no more than 15%, with the reservation that the total option limit may not exceed 1,500,000.

Based on the determined share purchase options, shares can be purchased by Incentive Scheme participants pursuant to an agreement concluded with the Company, which includes the following provisions:

- purchased shares shall be transferred to the investment account of the authorized person carried by the brokerage house indicated by the Company;
- the authorized person shall conclude an agreement with the brokerage house, according to which 80% of the purchased shares will be blocked (not available for sale or security);
- the purchased shares will be unblocked in the amount of 20% each year, starting from the date of their transfer to the investment account of the authorized person.

The Company has the right to repurchase and the authorized person has the obligation of selling shares blocked on investment account of the authorized person at face value if:

- 1) an employment contract concluded between the Group and the Incentive Scheme participant or any other agreement pursuant to which the participant provides services or works for one of the companies of the Group is terminated or expires for any reason;
- 2) the participant seriously infringes his contractual obligations agreed upon in an employment contract or other civil law agreement pursuant to which the participant provides services or work for one of the companies of the Group;
- 3) the participant runs competitive activity with regard to the Company or one of the companies of the Group without a written consent of the ATM S.A. Management Board;
- 4) a legally valid prohibition to perform his/her works in the bodies of the companies or an interdiction of business activity is imposed on the participant;
- 5) the participant is sentenced for any of the offences mentioned in Art. 585–592 and 594 of the Code of Commercial Companies and Partnerships, offences listed in part 10 of the law on financial instruments trading of 29 July 2005 (Journal of Laws 2005, No 183, item 1538), economic offences listed in Art. 296–306 of the Penal Code or any other offence whose committing is directly linked to the performance of his/her obligations as member of the management board of a capital company.

The number of share purchase options shall be applied to Company shares whose face value is PLN 0.95. In the case of a split of Company shares, these amounts will be increased in the same proportion as the mentioned split.

In accordance with IFRS 2 the Incentive Scheme was valued at fair value as at the date of determining the options. The fair value of the Scheme applied is the fair value of granted equity instruments:

- PLN 7.13 as at the date of determining the options in 2008;
- PLN 3.96 as at the date of determining the options in 2009;
- PLN 7.7 as at the date of determining the options in 2010.

The fair value of the options was calculated using the Monte Carlo model and applying the following initial data:

Parameter	Value			Commentary
	Tranche	Tranche	Tranche	
	2008	2009	2010	
Determination date	2008-06-05	2009-05-11	2010-08-12	For the 2008 Tranche, it is the approval date of Rules of the Scheme.
Share price as at the determination date	PLN 8.20	PLN 4.90	PLN 8.62	Based on WSE listings
Risk-free rate of interest	The risk-free rate of interest for each Tranche was calculated based on interbank deposit quotes and interest rate swaps as at the date of granting (source: REUTERS).			
Volatility (annualized)	39.23%	41.77%	29.31%	Based on WSE listings
Dividend yield	6.87%	0.00%	0.00%	Dividend yield calculated based on the Company's policy, i.e. dividend depends on the EURIBOR 1Y rates and stock exchange listings. The Company did not pay out dividend for 2008.
Striking price	PLN 0.95	PLN 0.95	PLN 0.95	Following the Scheme
Number of options	439,800	306,100	286,820	
Market conditions	NONE			
Non-market conditions	Employment			
Attrition rate	0%	0%	0%	
Maturity date				
- Part 1	2008-09-03	2009-08-13	2010-09-10	2008: 90 days from approval of the financial statements for the previous year by the Ordinary General Meeting of Shareholders. For the 2009 Tranche, it is 15 May 2009, assuming that as at the date of granting, the Company has had formally notified the shareholders of the date of the Ordinary General Meeting of Shareholders. 2010: For cost recognition purposes, it is the latest date of share purchase (10 September 2010) and the dates of unblocking the shares (until 2014).
- Part 2			2011-09-10	
- Part 3			2012-09-10	
- Part 4			2013-09-10	
- Part 5			2014-09-10	

The scheme value was recognized in:

- current period result in the portion for ATM S.A. employees for 2010 (PLN 1,261,000);
- investments in subsidiaries in the portion for employees of the subsidiaries (PLN 58,000 ATM Software Sp. z o.o., PLN 48,000 inONE S.A., PLN 179,000 ATM Systemy Informatyczne Sp. z o.o.).

Ownership structure

The ownership structure of ATM S.A. share capital as at 31 December 2010 was as follows:

Shareholder	Number of shares		%	Number of shares		%
	31/12/2010			31/12/2009		
Tadeusz Czichon	5,956,887	16.39%	5,956,887	16.39%		
Polsat OFE	3,346,343	9.21%	3,603,624	9.92%		
ING OFE	3,517,923	9.68%	3,470,517	9.55%		
Roman Szwed	3,287,993	9.05%	3,387,993	9.32%		
Amplico TFI (formerly AIG TFI)*	no data	no data	1,871,376	5.15%		
ING TFI ***	1,868,360	5.14%	no data	no data		
Piotr Puteczny****	1,817,500	5.00%	1,817,500	5.00%		
PKO TFI**	no data	no data	1,813,435	4.99%		
Other shareholders	16,548,338	45.53%	14,422,012	39.68%		
	36,343,344	100%	36,343,344	100%		

The data concerning POLSAT OFE and ING OFE refer to the number of shares owned by these shareholders as at 31 December 2010 based on the "Annual asset structure".

* the number of shares, according to the notification from AMPLICO Towarzystwo Funduszy Inwestycyjnych S.A. (formerly AIG TFI S.A.) as at 7 January 2010 amounts to 1,245,123, which constitutes 3.426% of the share capital. A change in the number of shares resulting from the termination of the portfolio management activities for the benefit of Amplico Life S.A. Prior to the aforementioned change, i.e. as at 31 December 2009, AMPLICO TFI S.A. held, as a part of managed Funds and portfolios, 1,871,376 out of total 36,343,344 shares of the Company, which amounted to 5.149% of the total number of votes at the Company's general meeting and 5.149% of the Company's share capital. The Issuer submitted all information related to this matter in a current report No 2/2010 and 3/2010.

** The data concerning PKO TFI have been taken from the notification received by the Company from the Shareholder on 23 September 2009. The Company has no information from other Shareholders regarding any changes to share ownership after the indicated dates.

*** number of shares as at 20 December 2010 based on the current report No 31/2010

**** jointly with his spouse

Capital reserves

The Company establishes a capital reserve pursuant to Company's 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>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Retained earnings brought forward, of which:	14,986	13,564
Statutory supplementary capital	12,125	9,803
Profit distribution (above the statutory amount)	2,433	3,333
IFRS implementation profits (losses)	428	428
Management option scheme profits (losses)	-	-
Current period profit (loss)	20,438	9,828
	<u>35,424</u>	<u>23,392</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.

Pursuant to Article 396 §1 of the Code of Commercial Companies and Partnerships, supplementary capital should be established in order to cover losses. At least 8% of the profit for the fiscal 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.

NOTE 21 NON-CONTROLLING SHARES

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
KLK S.A. (formerly KLK Sp. z o.o.)*	-	1,314
mPay Group of Companies (formerly ATM Mobile)	3,807	4,170
Sputnik Software Sp. z o.o.	2,313	1,523
inONE S.A. (formerly ATM Services Sp. z o.o.)	1,354	860
Impulsy Sp. z o.o.	337	300
iloggo Sp. z o.o.	-	51
	<u>7,811</u>	<u>8,218</u>

* the merger of ATM Systemy Informatyczne Sp. z o.o. (the merged company) and KLK S.A. (the merging company). The combined company changed its name to ATM Systemy Informatyczne S.A. The resolution regarding the merger was adopted by the General Meeting of Shareholders on 27 December 2010. The merger was registered as at 3 January 2011 and recognized in books of 2011.

NOTE 22 BANK LOANS

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Bank loans	15,735	10,318
Other loans	-	-
	<u>15,735</u>	<u>10,318</u>
of which:		
<i>Long-term portion</i>		
Bank loans	1,889	2,620
Loans from shareholders	-	-
<i>Short-term portion</i>		
Bank loans	13,846	7,698
Loans from shareholders	-	-
Bank loans and other loans due:		
within one year	13,846	7,698
from 1 to 2 years	731	1,463
from 3 to 5 years	1,158	1,157
more than 5 years	-	-
	<u>15,735</u>	<u>10,318</u>

Currency composition of loans

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
PLN loans	15,735	10,318
EUR loans	-	
	<u>15,735</u>	<u>10,318</u>

Average loan interest rates

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Interest rate on loans contracted by Group undertakings:		
Authorized overdrafts	5.81%	6.72%
PLN loans	7.12%	6.32%
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 31 December 2010

Lender	Base loan value			Short-term portion		Long-term portion		Interest rate	Repayment date	Security
	Loan amount in '000 PLN	Loan amount in foreign currency	Currency	Loan amount in PLN	Loan amount in foreign currency	Loan amount in PLN	Loan amount in foreign currency			
Fortis Bank Polska SA (authorized overdraft)	10,000	-	-	-	-	-	-	WIBOR 1M plus bank margin	24.07.2011	- blank promissory note; - statement of submission for enforcement proceedings
BRE Bank SA (authorized overdraft)	15,000	-	-	-	-	-	-	WIBOR ON plus bank margin	30.08.2011	- blank promissory note with promissory note declaration
Bank Pocztowy S.A. (authorized overdraft)	10,000	-	-	10,000	-	-	-	WIBOR 1M plus bank margin	30.09.2011	- blank promissory note with promissory note declaration
Bank Millennium S.A. (authorized overdraft)	5,000	-	-	-	-	-	-	WIBOR 1M plus bank margin	27.09.2011	- blank promissory note with promissory note declaration
BRE Bank SA Poznań branch (authorized overdraft)	300	-	-	300	-	-	-	variable interest rates equal to WIBOR for O/N deposits plus 3.87 percentage points on margin	22.04.2011	- blank promissory note
BRE Bank S.A. Katowice branch (mortgage loan)	2,620	-	-	731	-	1,890	-	WIBOR 1M plus bank margin (+3.5 points)	25.07.2014	1) mortgage amounting to PLN 3,595,000 and capped mortgage up to PLN 300,000, 2) blank promissory note 3) assignment of insurance receivables
BRE Bank S.A. Katowice branch (authorized overdraft)	3,500	-	-	2,814	-	-	-	WIBOR ON plus bank margin (+2,4 points)	16.03.2011	1) Mortgage amounting to PLN 5,700,000 2) registered pledge on inventories 3) blank promissory note 4) assignment of insurance receivables
	42,920	-		13,846	-	1,889	-			

NOTE 23 PROVISIONS FOR LIABILITIES

As at 31 December 2010, the Group does not have any provisions for liabilities.

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Provision for warranty repairs	-	-
Provisions for maintenance costs	-	198
Provisions for bank guarantee costs	-	3
Provisions for pension benefits	-	42
Bonus provisions	-	49
Provisions for balance sheet audit	-	23
	<hr/>	<hr/>
	<hr/>	<hr/>
		315
of which:		
Long-term portion		
Provisions for maintenance costs		
Provisions for bank guarantee costs	-	1
Provisions for pension benefits	-	6
Provisions for expenses	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>
		7
Short-term portion		
Provisions for maintenance costs	-	75
Provisions for deferred tax	-	
Provision for other costs	-	162
Provisions for balance sheet audit	-	23
Bonus provisions	-	48
	<hr/>	<hr/>
	<hr/>	<hr/>
		308

NOTE 24 LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Trade liabilities to related undertakings	29,849	6
Trade liabilities to other undertakings	-	508
Deferred payment sales interest	-	-
Prepaid unperformed services and maintenance costs	7	-
Subsidies for fixed asset financing	1,568	1,973
Other	12	2
	<hr/>	<hr/>
	<hr/>	<hr/>
	31,436	2,489
of which payable:		
from 1 to 2 years	7,583	888
from 3 to 5 years	11,896	1,601
more than 5 years	11,957	

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

NOTE 25
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Trade liabilities to related undertakings	3,255	43
Trade liabilities to other undertakings	140,529	50,321
Liabilities arising from taxes and social insurance	16,084	12,548
Advances received	321	136
Payroll liabilities	1,325	81
Other liabilities and accruals, of which:	11,891	6,764
share purchase liabilities	-	-
liabilities arising from bonuses	236	-
liabilities arising from outstanding leaves	379	247
settlements related to uninvoiced expenses	7,755	2,551
subsidies	1,372	1,427
deferred income	530	294
other liabilities	1,619	2,245
	<u>173,405</u>	<u>69,893</u>

Trade liabilities do not bear interest and they are usually payable within 7 to 90 days.

In 2010 and 2009, the Group did not rely on a small group of suppliers. Only one supplier — Cisco Systems — exceeded a 10% threshold of overall purchases; its share of the Group's overall purchases in 2010 amounted to 35% (in 2009 it was 21.2%, in 2008 — 42.8%).

Considering the stable position of Cisco as a global leader in the IT technology market and the highly successful progress in cooperation, also supported by certification requirements, this reliance is not considered to pose a formal risk of supplier concentration. As at 31 December 2010, liabilities to this supplier came to PLN 48,502,000; as at 31 December 2009, they were PLN 11,923,000.

The following data concern contracts which are valued by the Company in relation to the completion stage of service contracts.

Selected financial data:

	As at 31/12/2010
Assets	
of which:	
- valuation of contracts	0.00
Liabilities	
of which:	
- valuation of contracts	0.00
- settlements related to uninvoiced expenses	3,637
Advances for contracts received	0.00
Revenue from long-term contracts	69,292
Costs of long-term contracts	56,672
Gross profit (loss)	12,620

NOTE 26 OTHER FINANCIAL LIABILITIES

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

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Liabilities arising from dividend payouts	-	-
Liabilities arising from finance leases	37,106	25,607
Liabilities arising from financing of receivables (factoring)	1,436	
Forward contract liabilities	8	-
Other	-	1,740
	<u>38,549</u>	<u>27,347</u>
Value of liabilities arising from finance leases due within:		
- one year	16,390	10,160
- from 2 to 5 years	24,426	17,163
- over 5 years	-	-
	<u>40,816</u>	<u>27,323</u>
Future interest expenses (-)	(3,710)	(1,716)
	-	
Present value of future liabilities	<u>37,106</u>	<u>25,607</u>
of which:		
Amounts due within the next 12 months (included in short-term liabilities)	<u>14,696</u>	<u>10,124</u>
Amounts due after more than 12 months within:	<u>22,410</u>	<u>15,483</u>
- from 2 to 5 years	22,410	25,607
- over 5 years	-	-
number of lease agreements	182	141

Finance lease agreements concern machinery and equipment, means of transportation and software licenses constituting intangible assets. As at 31 December 2009, the Company was party to 90 agreements, under which it leased fixed assets with a total net value of PLN 23,300,000 as at that date.

As at 31 December 2010, the Issuer was party to 109 agreements, under which it leased fixed assets with a total net value of PLN 38,036,000 as at that date.

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 instalments and the general terms and conditions concerning the proper use of leased assets.

The lease agreements were concluded for periods ranging from 36 to 72 months and are denominated in EUR, JPY or in PLN. Conclusion of agreements denominated in foreign currencies was due to considerably lower interest rates and, so it appeared at the time, stable and strong position of PLN in relation to other currencies in a mid-term perspective. As a result of lower interest rates and appreciation of PLN in the period from 2004 to mid-2008, the Company was paying lower lease instalments than in the case of lease agreements denominated in PLN.

Rapid depreciation of PLN taking place since August 2008, resulted in considerable increase in the amount of ATM S.A.'s lease agreement liabilities denominated in foreign currencies after translation into PLN. Although this increase does not translate substantially into the Company's expenses due to current lease instalments, the total outstanding amount until 2013 will be considerably higher unless the situation in the foreign exchange market improves. The fact that the market value of the leased assets, which are imported parts of equipment, increases simultaneously with the increase in foreign currency exchange rates does not improve the situation in any significant manner.

In order to demonstrate the impact of expenses due to revaluating lease liabilities on the Company's operations, ATM S.A. Management Board decided, pursuant to IAS 1 §19, on adopting a partial exemption from IAS 21, in the manner described in chapter 2: "Grounds for the drawing up of financial statements and accounting principles (policies)".

In 2010, the Company recognized PLN 2,082,772.73 due to foreign exchange rate differences on finance lease agreements in its financial costs.

As at 31 December 2010, the balance of accruals resulting from exchange rate differences on lease liabilities was PLN 3,670,930.05. If exchange rates of EUR and JPY remain at the level from the balance sheet day, this sum would be recognized in costs for the following periods in the following amounts:

Year	Quarter	Amount
2011	1	601,054.80
	2	608,397.58
	3	614,287.39
	4	565,451.26
2012	1	231,237.63
	2	234,857.73
	3	233,220.08
	4	228,430.15
2013	1	183,496.09
	2	127,167.94
	3	43,329.39
	4	0.00
TOTAL		3,670,930.05

The Issuer shall consistently present accruals resulting from an increase or decrease in the value of lease instalments which are due in future periods.

Adopting the partial exemption from IAS 21 as at 31 December 2010 resulted in an increase in the value of other current assets by the aforementioned amount of PLN 3,670,930.05, as a result of which the gross income in the years 2008–2010 was increased by the same amount, and after deferred tax (19% of gross profit) in the amount of PLN 697,476.71 the net profit was higher by PLN 2,973,453.34. This result includes the increase in net profit for the years 2008–2009 amounting to PLN 3,128,609.75 and the decrease in net profit for the current period amounting to PLN 155,156.41.

Analogically, as at 31 December 2009, adopting the aforementioned exemption resulted in an increase in the value of other current assets by the amount of PLN 3,862,481.17, as a result of which the gross income in the years 2008–2009 was increased by the same amount, and after deferred tax (19% of gross profit) in the amount of PLN 733,871.42 the net profit was higher by PLN 3,128,609.75. This result includes the increase of net profit for 2008 amounting to PLN 5,397,821.37 and the decrease of net profit for 2009 amounting to PLN 2,269,211.62.

In summary, if the aforementioned exemption from IAS 21 had not been adopted by the Company, its consolidated net profit in 2008 would have been lower by PLN 5.4 million, higher by PLN 2.3 million in 2009 and higher by PLN 0.15 million in 2010.

The Management Board acknowledges that the financial statements (including the exception from IAS 21 pursuant to IAS 1 §19) present fairly the financial position of the Company, financial results of its operations and its cash flows.

The receivables financing agreement was concluded with Fortis Bank Polska S.A. and concerns the financing of receivables arising from instalment sale.

NOTE 27 OPERATING LEASES

Operating lease liabilities — Group as lessor

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

These are both definite and indefinite term agreements. Every agreement includes a clause enabling each party to terminate it with a contractual period of notice not exceeding three months. The Group does not include any clauses concerning contingent rents or the possibility of concluding sublease agreements in such agreements. The agreements concluded by the Company 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

In the period covered by the financial statements, the Group as the lessee was party to an operating lease agreement concerning property leases.

Due to the nature of the agreement concluded, the Company — insofar as it is the lessee with regard to operating lease — is not party to any irrevocable agreements apart from the lease agreement described below, which is revocable under specific terms and conditions.

Property leases include the Telecommunications Centre ATMAN-Grochowska, situated in Warsaw at Grochowska 21a. Pursuant to the agreement concluded on 21 December 2005 and the annexe to the agreement of 7 March 2006, ATM S.A. 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 instalments (15 years). The last instalment will be payable on 21 January 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 instalments 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 instalments outstanding until the end of the lease period and the final value.

The expenses related to minimum lease payments for property leases during individual periods were PLN 2,478,000 in 2009 and PLN 2,087,000 in 2010, respectively.

Minimum lease payments for property lease were as follows:

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
1 year or less	2,693	2,702
from 1 to 5 years	10,507	10,808
more than 5 years	13,241	16,438
	<u>26,441</u>	<u>29,948</u>

CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

No contingent receivables were present.

Contingent liabilities

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
To related undertakings:	-	
To other undertakings:	71,306	23,455
1. Bank guarantees received:		-
- performance bonds and tender bonds	26,020	3,996
2. Mortgage security:		-
- bank loan security	9,595	11,545
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing	-	3,146
- bank loan security	31,812	3,045
4. Pledges:		
- bank loan security	3,879	1,753
	<u>71,306</u>	<u>23,455</u>

NOTE 28 INFORMATION CONCERNING RELATED UNDERTAKINGS

Related undertaking details

1. Undertakings related to the Company

Apart from the undertakings in which the Group of Companies 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 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 fiscal 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 financial information, the scope of mutual transactions with related undertakings included:

- trade transactions including the purchase and sale of goods, materials and services,
- loans granted.

The Company did not carry out any transactions on conditions different from market conditions with related undertakings or other related persons in the fiscal year.

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

<u>Related undertaking</u>	<u>Year</u>	<u>Sales to related undertakings</u>	<u>Purchases from related undertakings</u>	<u>Receivables from related undertakings</u>	<u>Liabilities to related undertakings</u>
ATM PP Sp. z o.o.	2010	288	26,506	6	24,013
	2009	136	1,726	5	43
A. Chalimoniuk i Wspólnicy, ATM S.J.	2010	0	477	0	0
	2009	0	808	0	0
Tadeusz Czichon	2010	0	9,497	0	8,943
	2009	0	0	0	0
Linx Telecommunication B.V.	2010	755	500	259	148
	2009	686	267	467	0
Total	2010	1,043	27,483	265	33,104
	2009	822	2,801	472	43

In accordance with the above summary, the Issuer concluded contracts with related undertakings for the purchase of perpetual usufruct right and ownership title to the buildings which are part of the property located at ul. Jubilerska 8a, directly adjacent to the premises of ATM S.A. On the said property, the Issuer plans to implement an investment project connected with ATM Innovation Centre. On 1 June 2011, the Issuer concluded a contract with ATM Przedsiębiorstwo Produkcyjne Sp. z o.o. for the purchase of a property with an area of 12,950 m² and a contract with Tadeusz and Beata Czichon for the purchase of a property with an area of 5,763 m².

The property items were owned by the sellers until 31 August 2004 and 5 October 2000, respectively. The value of the purchased property items, PLN 25,500,000 and 9,497,000 respectively, was established based on average estimates included in appraisal reports drawn up by property appraisers commissioned both by

the seller and the buyer. The value and term and conditions of the transaction were approved with a resolution of the Issuer's Management Board, excluding Tadeusz Czichon from decision-making due to a potential conflict of interest. The transaction was approved by the Issuer's Supervisory Board, which adopted a resolution on this matter dated 7 April 2010, excluding Tomasz Tuchołka, a shareholder and Vice-President of the Management Board of ATM PP Sp. z o.o., due to a potential conflict of interest.

The purchase price of both property items was spread into 120 equal instalments. However, the Issuer is entitled to pay a part or full amount of the debt at an earlier date without incurring any additional costs. On account of spreading the payment into instalments, ATM S.A. will pay the sellers contractual interest at the amount of 8% annually from the actual debt balance, however no less than an average WIBOR rate plus 3%.

The purchase of the property items by ATM S.A. was necessary to regulate the proprietary rights in relation to the land on which ATM S.A. for several years has conducted colocation-related activities (among others, it has there over 2,000 m² of colocation area which is already filled up with clients to a great extent) and implemented further investments in this area within ATM Innovation Centre project valued at PLN 321 million, co-financed under measure 4.5 from the "Operational Programme Innovative Economy 2007–2013" in the amount of PLN 72.3 million (Current report No 32/2009).

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

2. Directing and supervisory body members and their close relatives

Other Company related entities include members of directing and supervisory bodies (including management) and persons who are their close relatives (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 Parent Undertaking. The remuneration paid to these persons, divided into main benefit types, has been presented in the table below:

	<u>End of period</u> <u>30/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Short-term employee benefits	3,433	3,072
Benefits after the employment period	-	-
Severance pay	-	-
	<u>3,433</u>	<u>3,072</u>

The short-term employee benefits referred to above concern:

	<u>End of period</u> <u>30/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Management Board	1,450	1,146
Supervisory Board	243	246
Directors and managers	1,740	1,680
	<u>3,433</u>	<u>3,072</u>

Apart from the abovementioned remuneration, directors and managers are covered by the Incentive Scheme (Note 19). No loans, guarantees or sureties were granted to the aforementioned persons, members of the Management Board or Supervisory Board in the periods covered by the present financial statements.

Contracts with the Management Board members include non-competition clauses which hold for three months after they leave their posts. Under this provision, the parent undertaking is

obliged to pay a compensation amounting to three monthly salaries. Twice that amount is to be repaid if the non-competition clause is breached.

NOTE 29 FINANCIAL INSTRUMENTS

1. Capital risk management

The Company manages its capital in order to ensure that it will be able to continue as a going concern, while at the same time maximizing its profitability by optimizing its debt-to-equity ratios.

The Company regularly reviews its capital structure. Such reviews involve the analysis of cost of equity and the risk related to its individual categories. The most important factors subject to analysis are:

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

The dividend policy is among the risk management measures. In accordance with this policy, investors should receive an annual dividend of no less than interest on bank deposits. The Company intends to pay an annual dividend in the amount of no less than the EURIBOR rate for annual deposits on the last day of the fiscal year, additionally increased by 0.5%, and multiplied by the Company's listed value in the last month of the year. 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 Company include bank loans (Note 22), finance lease agreements (Note 26) as well as cash and deposits (Note 19). The main purposes of these instruments include raising funds for Company operations, liquidity risk management and short-term investment of surplus liquid funds. The Company also uses other financial instruments, including trade receivables and liabilities (Notes 17, 18, 24 and 25), which, however, are directly related to its operations.

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

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

During 2009 and 2010:

- no financial instruments were reclassified between categories within the meaning of IAS 39;
- the Company 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 Company received no financial or non-financial assets within the framework of enforcement proceedings concerning security for its financial assets.

3. Major accounting principles

A detailed description of material accounting policies and methods used, including the criteria for recognition, basis for valuation and policies concerning the recognition of revenue 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:

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Financial assets		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	159,941	74,645
Financial assets available for sale	80	80
Financial liabilities		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Financial liabilities	194,193	105,870
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

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Receivables from related undertakings (Note 17)	265	474
Short-term receivables from other undertakings (Note 17)	117,503	63,294
Long-term receivables from other undertakings (Note 15)	1,903	4,916
Other financial receivables		
Cash and cash equivalents (Note 19)	40,269	5,961
Total	159,941	74,645

With regard to the financial liabilities category

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
Liabilities arising from loans (Note 22)	15,735	10,319
Liabilities to related undertakings (Note 25)		43

Short-term liabilities to other undertakings (Note 25)	140,529	69,895
Long-term liabilities to other undertakings (Note 24)	-	6
Liabilities arising from finance leases (Note 26)	36,494	25,607
Other financial liabilities (Note 26)	1,436	-
Total	194,193	105,870

5. Fair value of financial instruments

According to the estimates of the Management Board, the values of individual financial instrument classes listed above do not differ significantly from their fair values.

6. Credit risk

Credit risk is the risk of a counterparty defaulting on its obligations, thus exposing the Company to financial losses. The Company 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. Company 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 Board.

The Company is not exposed to significant credit risk related to a single counterparty or a group of similar counterparties. The Company mitigates credit risk by concluding transactions only with creditworthy undertakings. Before cooperation is initiated, internal preliminary verification procedures are followed. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to the risk of receivables becoming uncollectible is insignificant.

As for 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 31 December 2010, financial asset impairment write-downs came to PLN 487,000; as at 31 December 2009, they were PLN 198,000. These write-downs concern own receivables from other undertakings, of which PLN 177,000 are receivables currently under litigation, and PLN 310,000 are receivables which will likely prove uncollectible according to Company estimates.

As at 31 December 2010 and 31 December 2009, no financial asset items were present whose repayment terms had been renegotiated.

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

7. Foreign exchange risk

As far as foreign exchange risk is concerned, the Company is exposed to it through sale or purchase transactions concluded in currencies other than the Company's functional currency.

The Company has concluded forward hedging transactions.

As it was stated in "Accounting principles — Foreign Currency Transactions", pursuant to IAS 1 §19, the Company adopted a partial exemption from IAS 21 in the present financial statements, i.e. exchange rate differences on currency lease liabilities were recognized as the Company's financial costs for a given reporting periods only in the portion concerning actually paid instalments. The remaining amount of exchange rate differences was recognized in the accruals, which shall be recognized in financial costs for individual quarterly periods of lease instalments repayment. Simultaneously, accruals shall be adjusted for exchange rate differences on lease liabilities (both gains and losses), arising in future periods. This exemption from IAS 21 shall be applied by the Company until currency exchange rates stabilize at the level reflecting the real purchase value of PLN, but no later than until 2013, the expiry date of all liabilities under lease contracts denominated in foreign currencies.

Detailed calculations and financial implications of the adopted solution for presenting exchange rate differences on currency lease liabilities have been presented in Note 26: Other financial liabilities.

The carrying amount of the Company's assets and liabilities in foreign currencies as at the balance sheet date concerns trade receivables and liabilities and lease agreement liabilities. These amounts are as follows:

	Trade liabilities		Lease liabilities		Trade receivables	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Currency — EUR	324	2,284	2,880	5,340	1,616	1,835
Currency — USD	50,407	23,828	0	0	3,430	11,197
Currency — JPY	0	0	9,150	12,179	0	0
Currency — PLN	93,053	24,252	24,463	8,088	112,723	55,652
	0		0		0	
Total	143,784	50,364	36,493	25,607	117,768	68,684

When applying an exemption from IAS 21 regarding the valuation of lease liabilities.

If the exchange rate in relation to the exchange rate from the balance sheet valuation for EUR, USD and JPY had increased by 10%, with all other variables remaining at a constant level, the Group's net result for the twelve-month period ended 31 December 2010 would have been PLN 4,569,000 lower, of which PLN 129,000 would be due to financial assets and liabilities denominated in EUR and PLN 4,698,000 — due to financial assets and liabilities denominated in USD.

When retaining full compliance with IAS 21.

If the exchange rate in relation to the exchange rate from the balance sheet valuation for EUR, USD and JPY had increased by 10%, with all other variables remaining at a constant level, the ATM S.A.'s net result for the twelve-month period ended 31 December 2010 would have been PLN 5,772,000 lower, of which PLN 159,000 would be due to financial assets and liabilities denominated in EUR and PLN 4,698,000 — due to financial assets and liabilities denominated in USD and 915,000 due to liabilities denominated in JPY.

The above estimation of the impact of foreign exchange risk on the financial result was calculated basing on symmetrical method, which assumes that increase and decrease in foreign exchange rates results in identical closing amounts. As a consequence, the decrease in exchange rates of the abovementioned currencies by 10% would cause respective increase of net financial result by amount mentioned above.

8. Liquidity risk

The Company has developed an appropriate liquidity risk management system for the purposes of managing short-, medium- and long-term funds of the Company and in order to satisfy liquidity management requirements. The Company 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.

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

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

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

On 23 November 2010, an application to announce a plan of merger with KLK S.A. was submitted to the file of ATM Systemy Informatyczne sp. z o.o. at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, which was confirmed with the Court's decision on the submission of the application to announce the merger plan dated 26 November 2010. The relevant merger plan was previously announced in the Court and Commercial Gazette (Monitor Sądowy i Gospodarczy) No 225/2010 of 19 November 2010.

Acting pursuant to Article 492(1) item 1 and Article 506 of the Code of Commercial Companies and Partnerships, on 27 December 2010 an Extraordinary General Meeting of Shareholders of ATM Systemy Informatyczne Sp. z o.o. adopted a resolution on the merger of ATM Systemy Informatyczne Sp. z o.o. (the merged company, hereinafter: ATM SI Sp. z o.o.) and KLK Spółka Akcyjna (the merging company, hereinafter: KLK S.A.) through takeover of assets. At the same time it approved changes to KLK S.A. Articles of Association, including the change of the Company's business name to "ATM Systemy Informatyczne S.A.".

The merger was registered as at 3 January 2011 and recognized in books of 2011 by pooling of interest. The Issuer holds 100% shares in ATM Systemy Informatyczne S.A. The rationale behind the decision on the merger of two biggest system integration companies in the Issuer's Group of Companies was a conviction that their activity is complementary enough for the change to bring notable benefits both to the newly established company and its business partners, and in particular to the clients. The aim of the merger was to create the biggest integrating entity in Poland, specializing in ICT projects. The Issuer informed about the event in detail in the current report No 32/2010 of 27 December 2010.

On 31 March 2011, inONE S.A. and Web Inn S.A. belonging to Enterprise Investors, which have so far been the shareholders of the Company, concluded an agreement for transfer of a control package of shares in inONE S.A. to Web Inn. The sale of all 60% of shares in inONE held by the Issuer continues the process of organizing the structure of the ATM Group of Companies started in 2009, which aims for the Company to focus on core operations, i.e. provision of telecommunications services and ICT systems integration.

NOTE 31 DIFFERENCES IN COMPARISON TO PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

No significant events pertaining to previous years occurred that would have to be included in annual consolidated financial statements for the fiscal year 2010. The comparable data included in 2010 statements do not differ from the data included in published 2009 statements.

NOTE 32 AVERAGE EMPLOYMENT INFORMATION

	<u>For the period</u> 01/01- 31/12/2010	<u>For the period</u> 01/01- 31/12/2009
Manual workers	16	26
Non-manual workers	434	416
Total employment	450	442

NOTE 33 REMUNERATION OF EXPERT AUDITORS OF THE PARENT UNDERTAKING

<u>End of period</u> 31/12/2010	<u>End of period</u> 31/12/2009
------------------------------------	------------------------------------

Audit of the financial statement	93	93
Other certification services	23	23
Other services	0	0
	<u>116</u>	<u>116</u>

NOTE 34
SIGNIFICANT EVENTS IN THE REPORTING PERIOD

On 1 June 2010, the Issuer purchased a large body of assets and informed about it in the Current report No 16/2010. The relevant transaction was completed since it was necessary to regulate the proprietary rights in relation to the land on which ATM S.A. for several years has conducted colocation-related activities (among others, it has there over 2,000 m² of colocation area which is already filled up with clients to a great extent) and implemented further investments in this area within ATM Innovation Centre project valued at PLN 321 million, co-financed under measure 4.5 from the "Operational Programme Innovative Economy 2007–2013" in the amount of PLN 72.3 million (Current report No 32/2009).

REPORT ON OPERATIONS OF THE ISSUER'S GROUP OF COMPANIES IN 2010

1. Review of key economic and financial parameters

The ATM Group may consider 2010 a successful year. It managed to improve the operating results in every field of activity, which translated to a significant improvement in consolidated financial results. In 2010, the Group achieved record sales revenue in the amount of PLN 402 million. Thus, there was also a record operating profit in the amount of PLN 33 million — almost two times higher than in 2009. The annual net profit also increased by 117% as compared with the last year and amounted to over PLN 21 million. The EBITDA indicator amounted in 2010 nearly to PLN 56 million (53% increase as compared with 2009). Very good results in 2010 are particularly pleasing considering that the situation in the ICT sector was not very impressive during the previous year, and in fact 2011 is expected to be particularly promising in this respect.

In particular, the independent, parallel growth of the two basic operating segments: telecommunications services and integration of ICT systems should be positively evaluated. Each of the segments regularly generated about a half of consolidated profit in every quarter.

It is worth mentioning that the Group's results in the reporting period were not influenced by the negative effects of the financial crisis from 2008/2009 which burdened the Group's results in 2008 and 2009.

While reviewing key economic and financial parameters in the Group's activity, one should emphasize the results on telecommunications activity of ATM S.A., which had achieved a significant growth of revenue for three years in a row. In this area, the Group significantly exceeded PLN 100 million of annual revenue, which enables including the ATM's operator in the group of the largest entities offering telecommunications services for business in Poland. The year to year revenue growth dynamics was nearly 29%, and 14% for operating profit.

In 2010, particular attention in telecommunications activities should be paid to the increase by 37% of the number of customers in the Issuer's data centres, which translated into an increase by 36% in revenue from colocation and hosting services. This was made possible by the successful investment policy in construction and equipment of data centres and sale of services in new server rooms in the building of Telehouse.Poland, performed in accordance with the schedule.

Providing data transmission services and optical services is the second significant area of the telecommunications activity of the Group, which had a 25% revenue growth and 14% of growth in the number of customers. The influence on the growing interest of other operators in ATMAN's optical networks results mainly from the beginning of implementation of LTE technologies in Poland. The Issuer has a strong position on the market of professional operator services and specializes in providing data transmission and Internet access services of high speed which are necessary for the popularisation of this technology.

In the third sector of telecommunications activity — Internet access services, the Group observed a slight slowdown in 2010. Despite the 14% growth in the number of customers, sales revenue in this area was by 10% lower than in 2009. One of the main reasons for this phenomenon lies in the significant drop in unit prices for wholesale customers, which, in spite of an increased volume of sales, had negative influence on revenue. However, it is worth to emphasize a positive change in the customer structure where an increase in the number of small customers is noticed. These customers use higher-margin products and services.

The year 2010 was a critical year for the second key operating segment of the Group, i.e. activity related to providing ICT systems integration services. For the first time in the history, this operating segment brought stable, high revenue and profits during all quarters of the year, generating not only 78% of all sales revenue but also 57% of consolidated operating profit (almost PLN 19 million). Undoubtedly, these good results were influenced by the implementation of the biggest contract by ATM SI (OST 112). However, "integration" companies of the ATM Group had very good results on the market, also in other, smaller contracts.

Good news is that all Group's companies active in the ICT systems integration segment achieved positive financial results in 2010, performing well in their market segments.

As at the end of 2010, the Group's equity amounted to PLN 275,273,000 (at the end of 2009 — PLN 256,035,000).

No changes in accounting principles occurred in comparison with the financial statements for 2009 — again, the Group's consolidated financial statements were also prepared in accordance with International Financial Reporting Standards.

2. Description of material risk factors and threats

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

While the Issuer's activity in telecommunications services segment is rather not susceptible to short-term changes in economic situation, the influence of potential recession may be visible in the segment of ICT systems integration. The recession may translate into a smaller number of orders, but the key to become independent from this phenomenon consists in long-term contracts for ICT projects.

Risk related to conduction of R&D works and investments

As part of organizational changes introduced in 2009 and 2010, following the implemented strategy, the Issuer decided to abandon these fields of activity which did not bring expected results and did not comply with the Group's lines of development. As a result, the Issuer has significantly limited the Group's involvement in innovative projects associated with costs of research and implementation works. The Issuer conducts R&D works insofar as they directly translate into greater competitiveness of the products and services it offers.

It is worth emphasizing that the new investment project connected with the construction of ATM Innovative Centre does not involve any risks related to conduction of R&D works and investments. Works which are conducted within this Project, among others aimed to implement energy-efficient systems, directly contribute to reduction of the Centre's maintenance costs.

Risk related to human resources

The Issuer's operations are successfully carried out by highly qualified staff. Another factor influencing the Company's success and competitiveness is constituted by managers. The loss of employees — experts and members of management staff alike — caused by a situation independent from the Issuer, may bring the risk of decreasing the quality of offered services and solutions and, for instance, delays in projects implemented for the customers. Possible illegal activities of employees (e.g. causing harm to third parties, disloyal behaviour exhibited in, among others, undertaking competitive activity and disclosure of professional secrets) could also have negative repercussions.

As the Company's experiences to date show, the situation concerning staff in companies within the Group is stable, the employees and managers are engaged in the development of their companies.

3. Other information

3.1. Information concerning core products

Apart from one exception, the Group's companies do not produce or offer services aimed directly at individual clients. The majority of products and services on offer are targeted at institutional clients, except for mobile payment services. Services and products offered by the Group of Companies belong to three segments: telecommunications services, ICT systems integration and mobile payments.

The following are the main telecommunications services provided by ATM S.A.:

- services of data centres (colocation and hosting),
- access to broadband Internet and data transmission services based on own optical networks,
- voice telephony services.

The following are the main ICT systems integration services:

- construction of ICT infrastructure of a different scope,
- implementation of complete ICT systems with necessary software for specific business needs.

The Group's companies specialize in products which complement the Issuer's telecommunications offer: The most important and the most typical for the specific companies are the following:

- construction of network infrastructure based on Cisco technologies (ATM Systemy Informatyczne Sp. z o.o.),
- professional data centre infrastructure systems and guaranteed power supply systems (CLK S.A., from 2011 — ATM Systemy Informatyczne S.A.),

- multimedia solutions and services (ATM Software Sp. z o.o.),
- solutions and software targeted at local government administration (Sputnik Software Sp. z o.o.),
- IT systems and software for healthcare institutions (Impulsy Sp. z o.o.).

The main product in the mobile payments segment is a universal mobile payment system, implemented by mPay S.A. The most popular and widespread mPay services are payments via a mobile phone for car parking and public transport tickets.

The Group's most important products and services fall into three abovementioned categories whose share in the Issuer's total sales is the following:

<u>For the period</u> <u>01/01–31/12/2010</u>	Telecommunications	ICT systems integration	Mobile payments
Sales revenue	116,832	312,283	1,963
Sales margin*	62,270	67,228	1,045
Operating profit (loss)	15,872	18,849	(1,688)

* Sales revenue less variable selling costs

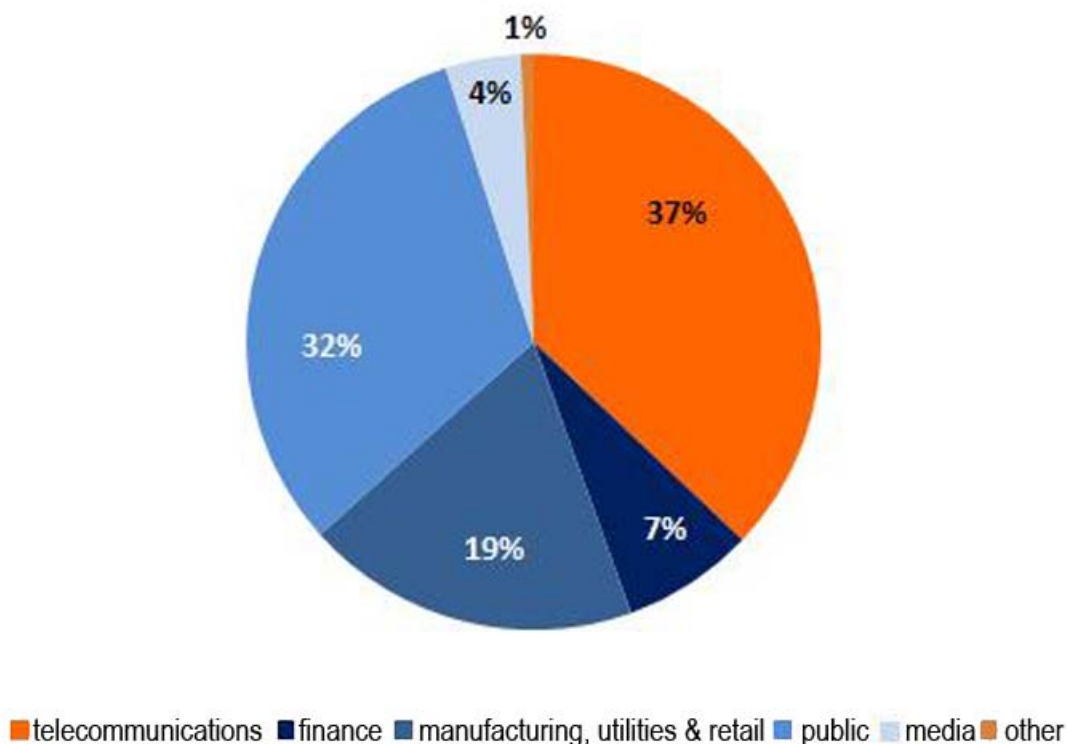
3.2. Information concerning markets, including the division into domestic and foreign markets and information concerning sources of supply of production materials, goods and services, including the reliance on one or many recipients and suppliers

The main market of the products and services offered by the ATM S.A. Group of Companies is Poland. Due to the Issuer's capital involvement in the Dutch telecommunications provider, Linx Telecommunications BV, since 2007 the Issuer has had access to foreign markets in Russia, Estonia, Lithuania, Latvia and Ukraine in the scope of telecommunications offer.

Given the complexity of implemented projects and usually their country-wide scope, a more detailed presentation of territorial structure of markets is not possible. Most of the services offered by the ATM S.A. Group of Companies may be located in every part of the country. The Group has clients in all regions of Poland. The Groups has got a particularly strong position in Mazowieckie Province as well as in Upper Silesia, which is the seat and main market of KLK S.A., the Issuer's subsidiary.

The most important clients of the Issuer's Group of Companies operate in the following sectors:

- telecommunications (including cable TV providers),
- banking and finance (including insurance companies),
- manufacturing, utilities and retail (including energy distribution undertakings),
- science, media and public administration.

The Group's consolidated sales revenue in 2010 by sector:

As in the previous years, both the parent undertaking and the group of companies have rather a diversified recipients' portfolio, which secures the Issuer's business, especially in the current recession in some market segments. In 2010, the Group had one client whose share in the total sales revenue would have exceeded 10%, namely IT Project Centre of the Ministry of the Interior and Administration (Centrum Projektów Informatycznych MSWiA). The sales to this client amounted to 22% of the Group's consolidated revenue.

In 2010, the Group continued to strengthen its cooperation with one of the suppliers, Cisco Systems. No significant changes occurred in the structure of the Group's sources of supply of materials, goods or services. The supply structure is divided into two core groups:

- related to provision of telecommunications services,
- related to ICT systems integration.

As far as the former is concerned, the Group purchases from domestic and foreign telecommunications providers.

As for the latter, there is an extensive list of goods and services purchased from suppliers and subcontractors with respect to implementation of integration projects. They can be divided into the following sub-groups:

- networking hardware,
- hardware,
- software,
- installation and maintenance services.

Suppliers of goods for the purposes of integration projects come from Poland and abroad, mainly from the USA. The Group of Companies depends on the suppliers to a small degree. Only in the case of one supplier, the share in total sales exceeds 10%. This supplier is Cisco Systems. It should be noted here that Cisco Systems is world's leading IT company and the products offered by this producer are very popular among the Group's clients. Given Cisco's stable position as world's leader in ICT technologies, the Issuer considers the strengthening of cooperation with this supplier to be beneficial for the Group of Companies and the revenue it generates. The share of sales of goods and services based on technologies and equipment provided by this producers in the Group's total sales revenue amounted to 35% in 2010 (in 2009 it was 21.2%, in 2008 — 42.8%).

No relations other than under partnership agreements exist between the Group of Companies and the abovementioned undertakings.

3.3. Information concerning contracts important for the Issuer's activity

The Company communicates information on important contracts to the public in the form of current reports. It is also available on the Issuer's website.

Information on the first two contracts was communicated by the Issuer on 22 January 2010 in current report No 05/2010. As a result of a contract awarding procedure, ATM S.A. concluded two contracts with the IT Projects Centre of the Ministry of the Interior and Administration concerning "Building and implementation of the nation-wide ICT network for the purpose of alarm telephone number 112 (OST 112)".

Under the first one, ATM S.A. will design, construct, supply and implement the nation-wide ICT network for the purpose of alarm telephone number 112 (OST 112).

The contract is valued at PLN 148,778,652.30 gross with a possibility to extend the value up to the amount no higher than PLN 151,778,652.30 gross. The completion date of the contract is 23 December 2011.

Under the second contract, ATM S.A. will establish the OST 112 network and provide in it data transmission services.

The contract is valued at PLN 218,238,650.80 gross with a possibility to extend the value up to the amount no higher than PLN 220,238,650.80 gross. The contract will be completed until 31 December 2013.

The contract stipulates that the parties may also sign an annexe concerning an extension of data transmission services provision until the end of 2016.

The next two contracts important for the Issuer's activity were communicated to the public on 13 May 2010 in current report No 11/2011. As part of the contract for "Building and implementation of the nation-wide ICT network for the purpose of alarm telephone number 112 (OST 112)" the Issuer concluded two contracts with nation-wide telecommunications providers.

Under both contracts, ATM S.A. will establish the OST 112 network and provide in it data transmission services. The maximum value of the first contract, concluded with Telekomunikacja Polska S.A. is PLN 104,915,517.26 net, while the maximum value of the second one, concluded with Exatel S.A. is PLN 71,780,092 net. The contracts will be completed until 31 December 2013.

The contracts stipulate that the parties may extend the period in which Telekomunikacja Polska S.A. and Exatel S.A. (hereinafter: the Provider) provide data transmission services until the end of 2016.

The last important contract was communicated to the public on 15 November 2010 in current report No 25/2010. As a result of a tender for the construction of the first server room in the ATM Innovation Centre, the Issuer concluded a contract with KLK S.A. for the construction of a new F3 server room. This facility is being built in Warsaw as part of ATM Innovation Centre, which includes an extension of Telecommunications Centre ATMAN-Grochowska.

The contract stipulates contractual penalties for the contractor (KLK S.A.) in the amount of 10% of the contract's total value, should the ordering party (ATM S.A.) withdraw from the contract due to the contractor's fault. Moreover, the contract provides that both parties have a right to seek damages exceeding the contractual penalties on general principles. The contract is valued at PLN 35,247,055.88 plus VAT due.

On 1 June 2010, the Issuer purchased a large body of assets and informed about it in the current report No 16/2010. The relevant transaction was completed since it was necessary to regulate the proprietary rights in relation to the land on which ATM S.A. for several years has conducted colocation-related activities (among others, it has there over 2,000 m² of colocation area which is already filled up with clients to a great extent) and implemented further investments in this area within ATM Innovation Centre project valued at PLN 321 million, co-financed under measure 4.5 from the "Operational Programme Innovative Economy 2007–2013" in the amount of PLN 72.3 million (Current report No 32/2009).

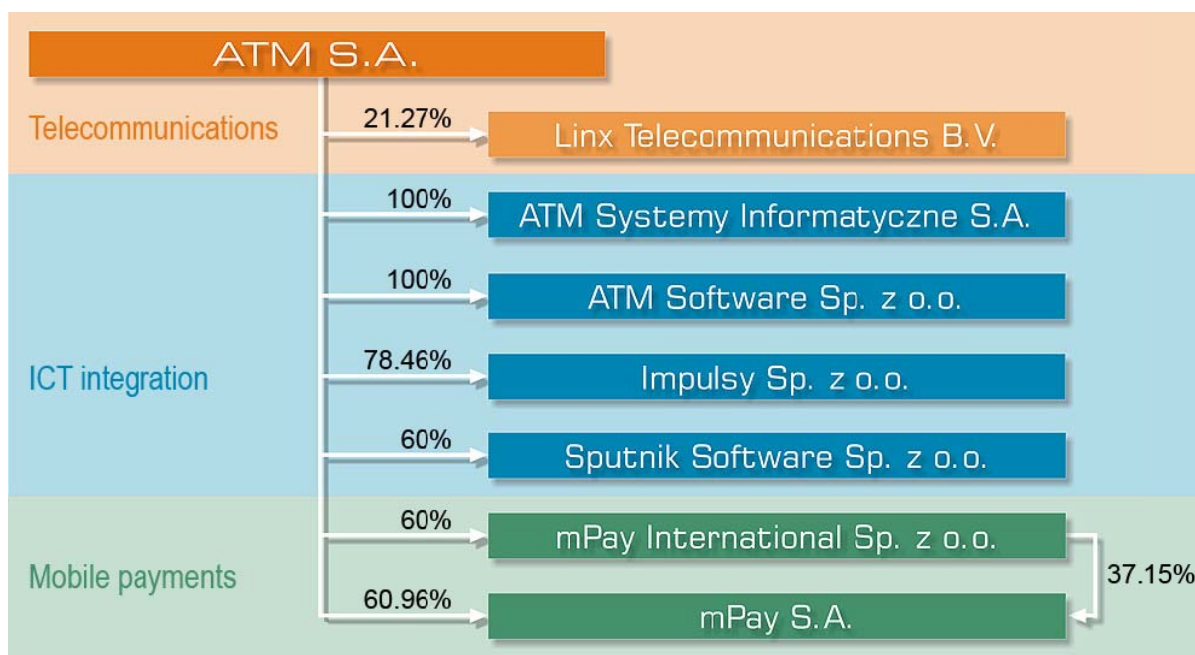
3.4. Information concerning organizational or capital relations with other undertakings and specification of main investments

In 2010, ATM S.A., as the parent undertaking of the Group of Companies, conducted the following investments in the subsidiaries:

- on 28 January 2010, the share capital of mPay S.A. was increased by PLN 500,000. The new shares were in whole taken up by ATM S.A.,

- on 30 March 2010, ATM S.A. acquired 10,800 shares of KLK S.A. As a result of this transaction, ATM S.A. currently holds 91.3% of the capital entitling to 91.3% votes at the General Meeting,
- on 22 April 2011 the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 500,000, as a result of which the subscription of 1,000,000 shares by ATM S.A. was approved,
- on 25 May 2010, all ATM S.A. shares in iloggo Sp. z o.o. in liquidation were sold,
- on 1 June 2010 the resolution on increasing the share capital of mPay S.A. was adopted, as a result of which ATM S.A. took up 600,000 shares for the amount of PLN 300,000,
- on 10 September 2010 the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 300,000, as a result of which the subscription of 600,000 shares by ATM S.A. was approved,
- on 14 September 2010 the resolution on increasing the share capital of mPay S.A. was adopted, as a result of which ATM S.A. took up 600,000 shares for the amount of PLN 300,000,
- on 14 September 2010 the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, issued a decision on closing of liquidation proceedings of Rec-Order sp. z o.o. Thus the Company was removed from the register,
- on 12 October 2010, ATM S.A. acquired 8.70% of shares of KLK S.A. As a result of this transaction, ATM S.A. obtained 100% of share capital entitling to 100% of votes at the General Meeting,
- on 16 November 2010 the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 300,000, subscribed for in full by ATM S.A.,
- on 3 January 2011, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the merger of ATM Systemy Informatyczne Sp. z o.o. and KLK S.A. as a an entity under the business name ATM Systemy Informatyczne Spółka Akcyjna was created, in which 100% of share capital and 100% of votes at the General Meeting are held by ATM S.A.,
- on 4 January 2011 the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the increase of share capital of mPay S.A. by PLN 1,075,000 subscribed for in full by ATM S.A.

As at the date of publication of this report, ATM S.A. Group of Companies included the following entities:



3.5. Information concerning conclusion by the Issuer or its subsidiary of one or more transactions with related undertakings which are not typical or routine transactions

During the reporting period, neither the Issuer nor any of the Issuer's subsidiaries concluded transactions with related undertakings, both individually or jointly, which were not typical or routine transactions concluded in the course of daily operations.

3.6. Information concerning bank loan and other loan contracts concluded and terminated in the fiscal year, stating at least their amount, type, interest rate, currency and due date

Detailed information on bank loans and other loans contracted in the fiscal year in the Issuer's Group has been provided in Note 22 of the Consolidated financial statements.

3.7. Information concerning loans granted in the fiscal year, in particular loans granted to the Issuer's related undertakings, stating at least their amount, type, interest rate, currency and due date.

Loans granted to related undertakings are presented in the table below:

	<u>End of period 31/12/2010</u>	<u>End of period 31/12/2009</u>
mPay International Sp. z o.o.	1,215	1,163
mPay S.A.	592	1,107
inONE S.A.		452
	1,807	2,722

- mPay International Sp. z o.o.: amount of loan — PLN 1,050,000, interest rate: WIBOR 1M + margin. The loans were granted to the company by both shareholders proportionally to their shares in the company. The loan is due until the end of June 2009 and after that, in accordance with the contract, the loan shall be converted to the company's equity. The General Meeting of Shareholders of mPay so far has not adopted a resolution concerning this matter.
- mPay S.A.: amount of loan — PLN 1,100,000, interest rate: WIBOR 1M + margin, the amount of PLN 575,000 was repaid *in full by the end of 2010*, in full on 28 January 2011.

3.8. Information concerning guarantees and sureties granted and received in the fiscal year, in particular guarantees and sureties granted to the Issuer's related undertakings

	<u>End of period</u> <u>31/12/2010</u>	<u>End of period</u> <u>31/12/2009</u>
To other undertakings:	71,306	23,455
1. Bank guarantees received:		-
- performance bonds and tender bonds	26,020	3,996
2. Mortgage security:		-
- bank loan security	9,595	11,545
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing	-	3,146
- bank loan security	31,812	3,045

4. Pledges:

- bank loan security	3,879	1,753
	<u>71,306</u>	<u>23,455</u>

As at 31 December 2010, tender bonds and performance bonds included guarantees extended by BRE Bank SA amounting to PLN 4,827,000, by Bank Millennium S.A. amounting to PLN 7,169,000, and by DnB NORD Polska S.A. amounting to PLN 7,614,000.

Other sureties are sureties for the bank and supplier of obligations incurred by ATM SI Sp. z o.o.

3.9. In the event of issue of securities in the reporting period – description of the use of issue proceeds by the Issuer until the report on operations has been drawn up

In the reporting period, the Issuer did not issue securities.

3.10. Explanation of differences between financial results presented in the annual report and forecasts published

The Company did not make the 2010 forecasts public.

3.11. Assessment, with justification, of financial resources management, in particular creditworthiness, and specification of potential threats and actions which the Issuer took or plans to take to prevent these threats

The Issuer's Management Board considers the financial position of the companies which belong to the ATM S.A. Group of Companies to be good. Liquidity indicators, asset turnover and debt ratios do not indicate any potential threats to the Company's creditworthiness.

3.12. Assessment of abilities to fulfil investment plans

One of the Issuer's most important investment plans is the development of telecommunications infrastructure for services based on data centres. In this area, the Issuer plans two important investment projects, i.e. systematic equipment and commissioning of consecutive stages of Telehouse.Poland colocation centre and construction of ATM Innovation Centre, which at the same time is the most extensive project in the history of the Issuer's activity. ATM Innovation Centre is a project planned for the years 2010–2015. Total investment expenses amount to PLN 320 million, of which over PLN 72.3 million will come from EU funds. ATM Innovation Centre is mainly an investment in the expansion and equipment with modern infrastructure of data centres and office premises of ATMAN-Grochowska facility.

Data centre investments allow to spread investment expenses over time, according to the demand for services offered. The construction of data centres is divided into stages and the Issuer incurs the major part of the expenses under concluded commercial contracts. By commissioning the first fragments of the data centre for colocation services, the Issuer acquires funds for the equipment of subsequent fragments of the centre. The schedule of commissioning subsequent data centre fragments will be contingent upon the demand for data centre services and pace of acquiring clients.

Within the scope of telecommunications activity, the Issuer plans also to modernise and extend the existing optical networks and connect new clients to them.

All Issuer's investments will be financed from the Issuer's own funds supported with lease and received subsidies. At the same time, the Issuer's Management Board does not expect any threats to the completion of investment projects, while the possibility to divide the investments into stages and to adjust them to current market demands provides security and comfort in conducting current activity.

The Issuer's investment activity related to telecommunications infrastructure practically constitutes the majority of the Group's investment plans for the nearest future.

3.13. Assessment of atypical factors and events which materially affected financial results for 2010

In the reporting period concerned, no atypical factors and events occurred which would materially affect financial results of the activity in 2010.

3.14. Description of external and internal factors important for the development of the undertakings within the Issuer's Group of Companies and development prospects until the end of 2010

One of the most important external factors which condition the development of the Issuer's Company is a constant growth of demand for transfer, processing and archiving of information (telecommunications services for companies and institutions) as well as for services based on data centre infrastructure.

As in the previous years, a more efficient distribution of EU funds by state bodies is a particularly important condition of market stimulation and thus, of a chance to greatly increase the revenue from sales of ICT services.

3.15. Changes in core management principles of the Issuer's Group of Companies

In 2010, no changes occurred in core management principles of the Issuer's Group of Companies.

3.16. Changes in the composition of managing and supervisory bodies of the companies in the Issuer's Group of Companies in 2010

On 29 October 2010, Zbigniew Mazur resigned from the position of a Supervisory Board Member. The reason for this resignation was the intention of assuming the position of a Management Board Member in another company. On 29 November 2010, an Extraordinary General Meeting of the Company's Shareholders adopted a resolution on appointing Grzegorz Domagała a Member of the ATM S.A. Supervisory Board.

On 26 February 2010, Mariusz Zabielski was recalled from the position of the Management Board President of ATM Systemy Informatyczne Sp. z o.o.

On 11 March 2010, Maciej Labuś was recalled from the position of the Management Board Vice-President of KLK S.A.

On 1 April 2010, Andrzej Olszewski was recalled from the position of the Management Board Vice-President of ATM Systemy Informatyczne Sp. z o.o.

On 1 September 2010, Roman Pawlina was appointed the Management Board President of ATM Systemy Informatyczne Sp. z o.o.

On 11 October 2010, Leszek Wilk was recalled from the position of Management Board President of KLK S.A. and on the same day Roman Pawlina assumed this position, while Leszek Wilk was appointed the Management Board's Vice-President.

On 27 December 2010, as part of transformation of KLK S.A. to ATM Systemy Informatyczne S.A. Tomasz Dziubiński was appointed the Management Board Vice-President, while Andrzej Słodczyk and Iwona Bakula were appointed Management Board Members of ATM Systemy Informatyczne S.A. Leszek Wilk was appointed the Supervisory Board Chairman, replacing Tadeusz Czichon, who is a Supervisory Board Member. Jarosław Pietrzak was recalled from the Supervisory Board.

3.17. Agreements concluded by and between the companies of the Issuer's Group of Companies and management staff which stipulate a compensation in the event of their resignation or dismissal from the position

Agreements with the 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.

No other material compensations are stipulated in the companies of the Issuer's Group of Companies.

3.18. Amount of remuneration, rewards and benefits, including under incentive or bonus schemes based on the Issuer's capital, including schemes based on bonds with priority warrant, convertible bonds, subscription warrants (in money, in kind, or another form), paid, due, potentially due, separately to each member of the Issuer's management and supervisory bodies in the Issuer's undertaking

In 2010, the total remuneration paid to each member of the Issuer's management and supervisory bodies was the following:

Management Board of ATM S.A.:

Roman Szwed	537,000
Tadeusz Czichon	469,800
Maciej Krzyżanowski	442,800

Supervisory Board of ATM S.A.:

Jan Wojtyński	78,000
Zbigniew Mazur (for the period from 1 January to 31 October)	35,000
Tomasz Tuchołka	42,000
Sławomir Kamiński	42,000
Mirosław Panek	42,000
Grzegorz Domagała (for the period from 1 to 31 December)	3,500

3.19. Specification of the total number and face value of the Issuer's shares held by members of the management and supervisory bodies

The total number of the Issuer's shares amounts to 36,343,344, and their face value is PLN 34,526,176.80.

Members of the Issuer's management and supervisory bodies hold the following numbers of shares:

Forename and surname	Position	Number of shares	Face value
Tadeusz Czichon	Vice-President of the Management Board	5,956,887	5,659,042.65
Roman Szwed	President of the Management Board	3,287,993	3,218,593.35
Maciej Krzyżanowski	Vice-President of the Management Board	55,408	52,637.60
Anna Bugajska	Holder of a commercial power of attorney	55,400	52,630.00

3.20. Listing of shareholders who hold, directly or indirectly, at least 5% of the total number of votes at the Issuer's General Meeting

Shareholder	Number of shares 31/12/2010	%
Tadeusz Czichon	5,956,887	16.39%
Polsat OFE	3,346,343	9.21%
ING OFE	3,517,923	9.68%
Roman Szwed	3,287,993	9.05%
ING TFI*	1,868,360	5.14%
Piotr Puteczny**	1,817,500	5.00%

The data concerning POLSAT OFE and ING OFE refer to the number of shares owned by these shareholders as at 31 December 2010 based on the "Annual asset structure".

*) number of shares as at 20 December 2010 based on the current report No 31/2010

** jointly with his spouse

3.21. Information concerning agreements known to the Issuer which may change the proportion of shares held in the future

The Issuer has no information on agreements which may change the proportion of shares held in the future.

3.22. Listing of all owners of securities which grant special rights of control in relation to the Issuer

No securities exist which grant special control rights in relation to the Issuer.

3.23. Information concerning control system of the employee share programme

Employees, partners of the Issuer and members of the management boards, employees and partners of the companies of ATM S.A. Group of Companies (except for the Issuer's Management Board) are included in the Incentive Scheme. Under the Scheme, they are entitled to purchase of shares in ATM S.A. after they have met the requirements referred to in the Rules of the Incentive Scheme approved by the Ordinary General Meeting of ATM S.A. Shareholders on 5 June 2008.

Detailed information on the Issuer's Incentive Programme as well as on the control system of the employee share programme under this scheme has been provided in Note 20 of these financial statements in section Incentive Programme.

3.24. Listing of restrictions as to the transfer of ownership rights to the Issuer's securities and of restrictions on execution of voting rights carried by the Issuer's shares

The only restrictions as to the transfer of ownership title to the Issuer's securities concern shares purchased under the Incentive Scheme for ATM S.A. Group of Companies employees for the period 2008–2010 and series B shares issued as part of statutory capital which were entirely dedicated to the minority shareholders of KLK S.A.

80% of the shares purchased by persons entitled under the Incentive Scheme will be blocked (not available for sale or security). The purchased shares will be unblocked in the amount of 20% each year, starting from the date of their transfer to the investment account of the authorized person.

The Issuer's series B shares offered to the shareholders of KLK S.A. under an investment contract of 24 October 2006 are not available for sale in the following manner: each of the buyers is entitled to sell 1/3 of the purchased shares no earlier than after 31 March 2010, after 31 March 2011 and after 31 March 2012, respectively.

No restrictions exist as to the transfer of ownership rights to the Issuer's securities.

In accordance with Article 364 § 2 of the Code of Commercial Companies and Partnerships, The Issuer shall not execute voting rights carried by 8,678 treasury shares (as at 31 December 2009) and these constitute the only restrictions as to exercising the voting right carried by the Issuer's shares.

3.25. Purchase of treasury shares

Pursuant to the resolution of 5 June 2008, the Ordinary General Meeting of Shareholders approved a purchase by the Issuer of treasury shares which will be offered for sale to employees of companies from the ATM S.A. Group of Companies, in accordance with the Rules of the Incentive Scheme (as per the current report No 22/2008 of 5 June 2008).

On 9 and 19 April 2010, the treasury shares were bought back, in conformity with the right of ATM S.A. to buy back the Company's shares in the event of the termination of an authorized person's employment. The average unit purchase price of shares was PLN 0.95. The total face value of shares purchased was PLN 14,934. The purchased holding constitutes 0.043% of the share capital and gives 15,720 votes (0.043%) at the General Meeting.

In the period from 23 April to 27 September 2010, the Issuer sold to its employees and employees of its subsidiaries 286,820 shares of ATM S.A., thus fulfilling the provisions of the Rules of the Incentive Scheme for the employees of ATM S.A. Group of Companies, approved by the General Meeting of the Company on 5 June 2008. Pursuant to § 3 item 11 of the Rules, these shares shall be blocked to the amount of 80% of shares granted. The shares shall be unblocked in the amount of 20% each year, starting from the date of their transfer to the accounts of employees. The average unit sale price of shares was PLN 0.95. The total

face value of shares sold was PLN 272,479. The sold holding constitutes 0.79% of the share capital and gives 286,820 votes (0.79%) at the General Meeting.

On 13 October 2010, Beskidzki Dom Maklerski S.A. informed the Issuer about the transfer of 13,260 shares of ATM S.A. on 12 October 2010 to the investment account owned by the Issuer, from broker accounts of indicated employees of ATM S.A., in relation to the broker service of the Incentive Scheme provided by BDM S.A. to the employees of ATM S.A. Group of Companies. The repurchase of treasury shares was a result of realisation of the Issuer's right to repurchase treasury shares in the case of termination of an authorised person's employment.

The average unit purchase price of shares was PLN 0.95. The total face value of shares purchased was PLN 12,597. The purchased holding constitutes 0.036% of the share capital and gives 13,260 votes (0.036%) at the General Meeting.

As at 31 June 2010, the Company owns 13,260 treasury shares at the value of PLN 12,597. These shares are held by the Company pursuant to the guidelines concerning the implementation of the Company's Incentive Scheme.

3.26. Information concerning the entity entitled to audit financial statements

On 7 July 2010 and 7 December 2010, the Issuer concluded audit contracts with the entity entitled to audit financial statements — Deloitte Audyt Sp. z o.o.

The subject of the contracts is:

- audit of separate and consolidated financial statements for the period from 1 January to 30 June 2010 (due date of the service was 31 August 2010);
- audit of separate and consolidated financial statements for the period from 1 January to 31 December 2010 (due date of the service was 30 April 2011).

The remuneration under the contract for the audit of separate and consolidated financial statements for the period from 1 January to 30 June 2010 amounted to PLN 23,000 net.

The remuneration under the contract for the audit of separate and consolidated financial statements for the period from 1 January to 31 December 2010 amounted to PLN 93,000 net.

In 2009, the remuneration amounted to:

- for the audit of separate and consolidated financial statements for the period from 1 January to 30 June 2009 — PLN 23,000 net;
- for the audit of separate and consolidated financial statements for the period from 1 January to 31 December 2009 — PLN 93,000 net.

4. Information specified in § 92(3) of the Regulation of the Minister of Finance

4.1. Description of assets and liabilities structure of consolidated balance sheet

The structure of assets and liabilities of the consolidated balance sheet is presented below based on selected financial data.

Balance sheet

	End of period 31/12/2010	% of total assets	End of period 31/12/2009	% of total assets
Fixed assets	339,010	63.1%	272,196	74.2%
Current assets	197,855	36.9%	94,523	25.8%
Total assets	536,865	100.0%	366,719	100.0%
Equity	275,273	51.3%	256,035	69.8%
Long-term liabilities	55,871	10.4%	20,862	5.7%
Short-term liabilities	205,721	38.3%	89,822	24.5%
Total liabilities	536,865	100.0%	366,719	100.0%

Basic financial indicators

	2010	2009
Return on Assets		
$\frac{\text{net financial result}}{\text{total assets}}$	4%	2.7%
Return on Equity		
$\frac{\text{net financial result}}{\text{equity}}$	8%	4%
Return on sales		
$\frac{\text{net financial result}}{\text{revenue from sales of products}}$	5%	3%
Liquidity ratio I		
$\frac{\text{total current assets}}{\text{short-term liabilities}}$	0.96	1.05
Speed of receivables collection in days		
$\frac{\text{average balance of trade receivables} \times 360 \text{ days}}{\text{revenues from sales of products, goods and materials}}$	82	100
Speed of liabilities collection in days		
$\frac{\text{average balance of trade liabilities} \times 360 \text{ days}}{\text{costs of products, goods and materials sold}}$	96	79
Speed of inventories turnover		
$\frac{\text{average balance of inventories} \times 360 \text{ days}}{\text{value of goods and materials sold}}$	16	14

4.2. Major events which influenced the activity and financial results of the Issuer's Group of Companies

In particular, the independent, parallel growth of the two basic operating segments: telecommunications services and integration of ICT systems should be positively evaluated. Each of the segments regularly generated about a half of consolidated profit in every quarter.

The Issuer's activity in the scope of investor relations and communication with the capital market was positively evaluated by its participants. In the fourth quarter of 2010, ATM S.A. was the only public company in Poland to be awarded for the third time in a row for the best investor relations service among companies from the sWIG 80 index and for communication with the capital market via a website. The company won the award in The GOLDEN WEBSITE 2010 competition organized by the Association of Listed Companies.

Moreover, ATM S.A. was granted the title of Company of High Reputation Premium Brand, on the basis of research conducted by the Millward Brown SMG/KRC research institute on a group of representatives of institutional investors operating on the Polish capital market. This was the second significant award for the company. The evaluation of the companies was made according to four aspects: being business-oriented, opinion on management, reliability in business contacts and image. The Issuer received very high notes in all these categories.

Telecommunications and value-added services

In 2010, particular attention should be paid to the increase by 37% of the number of customers in the Issuer's data centres, which translated into a 36% increase in revenue from colocation and hosting services. This was made possible by the successful investment policy in construction and equipment of data centres and sale of services in new server rooms in the building of Telehouse.Poland, performed in accordance with the schedule. Last year, the Issuer launched the construction of a new F3 server room in the ATMAN-Grochowska campus as part of ATM Innovation Centre project, co-funded by the European Regional Development Fund within the "Operational Programme Innovative Economy 2007–2013". The building of gross area of over 2,200 m² will be one of the most modern server rooms in Poland, successively equipped for new customers. In 2011, the commissioning of consecutive modules of the Telehouse.Poland data centre to the customers is also planned. With two independent server rooms in Warsaw, ATM may offer to its customers services ensuring additional safety connected with installation of ICT equipment in two sites.

One of the biggest achievements in the field of data centre services is a very good market reception of Telehouse.Poland commissioned at the beginning of 2010, which translated into several important commercial contracts for rental of area in this facility, including with the operator of the Play network, the largest community portal in Poland — Nasza-Klasa — and one of the leading financial institutions.

Currently, foreign customers' interest in the offer of the Issuer's data centres is growing. It is reflected among others in the signing of an important partnership agreement with Interoute, an international telecommunications operator, holding one of the biggest telecommunications networks in Europe. This agreement enables Interoute to offer to its customers services of ICT resources colocation in the Telehouse.Poland data centre.

The implementation of investments planned for 2011 will increase the Issuer's resources in the server rooms to 8,100 m² gross, which is an increase by more than 150% when compared with the currently used area. This will also make ATM an unquestionable leader on the Polish market of colocation and hosting services, and one of the largest entities in CEE.

ICT systems integration

The year 2010 was a critical year for activity related to providing ICT systems integration services. For the first time in ATM's history, this operating segment brought stable, high revenue and profits during all quarters of the year, generating not only 78% of all sales revenue but, most of all, 57% of consolidated operating profit (almost PLN 19 million). Undoubtedly, these good results were influenced by the implementation of the biggest contract by ATM SI (OST 112). However, "integration" companies of the ATM Group had very good results on the market also in other, smaller contracts.

83% of operating profit was generated by the two largest companies, namely ATM SI and KLK. Two other companies, inONE and Sputnik Software, should also be distinguished. Their jointly profit was above PLN 3 million.

With effective implementation of this big and difficult undertaking, ATM proved its ability to implement similar projects: with high degree of technical, logistics and financial complexity. Therefore, ATM SI successfully obtains and implements further contracts in the public sector.

The biggest integration contract implemented in 2010 was the development of the Nation-Wide ICT Network for the purposes of operating the emergency number 112 (OST 112). This project, implemented by ATM SI in the area of integration, is planned for the years 2010–2011 and is proceeding in accordance with the assumptions and approved schedule. Considering the long term of the contract and even engagement of company's resources in its implementation during 8 consecutive quarters, the sales margin on this contract in the financial statements is evenly recognized during the whole period of its implementation.

Mobile payments

The mPay S.A. company operates in the operating segment of mobile payments. Jointly with its partners among mobile telephony operators and financial institutions, the company undertakes activities aimed at popularising mobile payments in Poland. mPay S.A. is the pioneer in this type of solutions in Poland, however, this does not grant operating profitability yet. In 2010, the company conducted restructuring aimed at lowering current costs, which enabled the decrease of operating loss from PLN 4.6 million in 2009 to PLN 1.7 million in 2010. In addition to lowering costs, mPay also had an increase in revenue by 155%.

The situation of mPay at the beginning of 2011 seems particularly positive, since the interest of the market, mobile telephony operators and financial institutions in solutions enabling mobile payments is growing. This interest is reflected by concluding, in the fourth quarter, the long-awaited contract between mPay and Orange, a mobile operator, regarding the use of operator's infrastructure for providing services in the text mode (with USSD protocol). Consequently, mPay's services are currently provided in the basic mode (USSD protocol) in the networks of three mobile operators (Plus, Play and Orange) and in the voice mode in the Era network.

At the same time, the Issuer in cooperation with the Management Board of mPay S.A. continues activities aimed at targeting a medium-term investor interested in co-financing the development of the company during the period of reaching the break-even point. It is worth noting here that one of the most important actions in this matter is the listing of mPay S.A. on WSE NewConnect market which is planned for the third quarter of 2011.

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

ATM S.A. — the parent undertaking held as at 31 December 2010

- in ATM Systemy Informatyczne S.A.: 986,733 shares of the total value of PLN 986,733, which constitutes 100% of the share capital,
- in ATM Software Sp. z o.o.: 10,000 shares of the total value of PLN 500,000, which constitutes 100% of the share capital and entitles to 100% of votes at the General Meeting of the Company's Shareholders,
- in Impulsy Sp. z o.o.: 51 shares of the total value of PLN 102,000, which constitutes 78.47% of the share capital entitling to 78.47% of votes at the General Meeting of the Company's Shareholders,
- in inONE S.A.: 300,000 shares of the total value of PLN 300,000, which constitutes 60% of the share capital and entitles to 60% of votes at the General Meeting of the Company's Shareholders,
- in Sputnik Software Sp. z o.o.: 600 shares of the total value of PLN 3,000, which constitutes 60% of the share capital and entitles to 60% of votes at the General Meeting of the Company's Shareholders,
- in mPay International Sp. z o.o.: 11,100 shares of the total value of PLN 5,550, which constitutes 60% of the share capital and entitles to 60% of votes at the General Meeting of the Company's Shareholders,
- in mPay S.A.: 24,343,000 shares of the total value of PLN 12,171,500, which constitutes 63.14% of the share capital and entitles to 63.14% of votes at the General Meeting of the Company's Shareholders,
- in Linx Telecommunications B.V.: 2,754,612 shares of the total value of EUR 27,546.12, which constitutes 21.27% of the share capital and entitles to 21.27% of votes at the General Meeting of the Company's Shareholders,

mPay International Sp. z o.o. — a subsidiary, holds:

- 10,999,000 shares in mPay S.A. of the value of PLN 0.50 each — purchase price PLN 5,499,500,

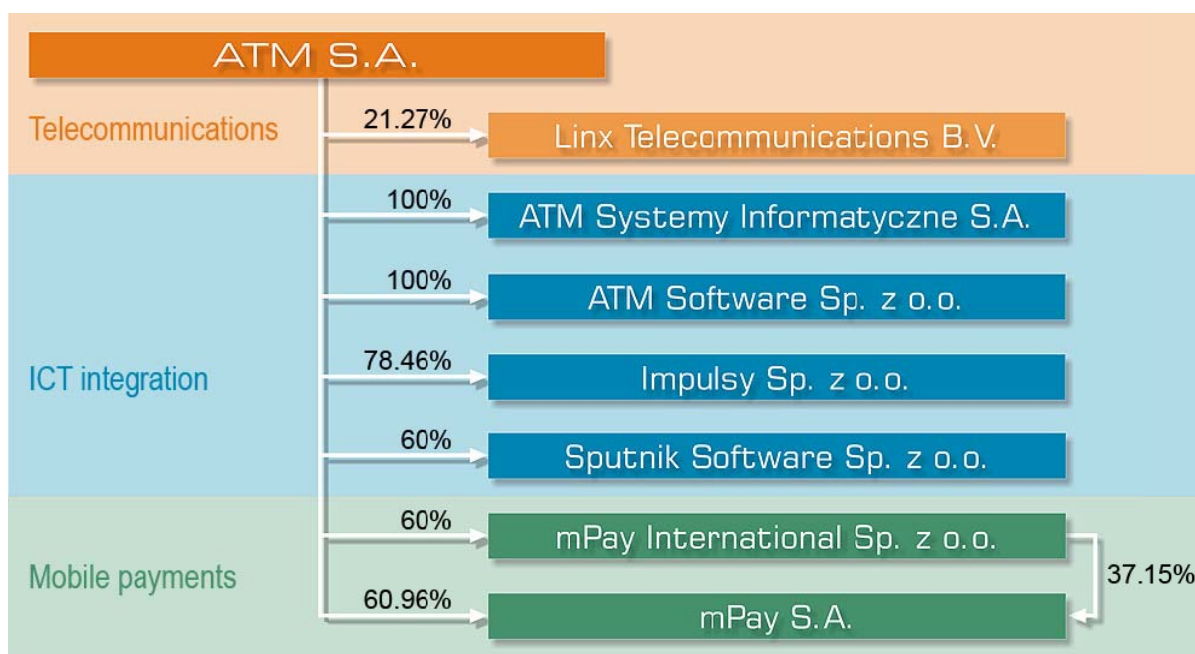
KLK S.A. — subsidiary, holds:

- 500 shares in Górnośląskie Towarzystwo Lotnicze (Upper Silesian Aviation Group) — purchase price PLN 80,000.

The Group's companies place available funds in short-term cash deposits and secure debt securities with short maturity.

4.4. Description of the organization of the Issuer's Group of Companies, with the list of consolidated companies, and description of changes in the organization of the Group of Companies

The chart below presents the structure of the ATM S.A. Group of Companies as at the day of the publication of this report:



All of the aforementioned subsidiaries were subject to consolidation. Linxtelecom's operating results are not consolidated. ATM Systemy Informatyczne and KLK merged on 3 January 2011, and in March 2011, the Issuer sold all 60% of its shares in inONE S.A.

Detailed description of capital changes has been provided in point 4.4 of the report on operations of the Issuer's Group of Companies.

Moreover, on 3 January 2011, the Commercial Court registered the Company ATM Systemy Informatyczne S.A., which was established through the merger of ATM Systemy Informatyczne Sp. z o.o. and KLK S.A. and in which the Issuer holds 100% of shares. The rationale behind the decision on the merger of two biggest system integration companies in the Issuer's Group of Companies was a conviction that their activity is complementary enough for the change to bring notable benefits both to the newly established company and its business partners, and in particular to the clients. The aim of the merger was to create of the biggest integrating entity in Poland, specializing in ICT projects.

On 31 March 2011, inONE S.A. and Web Inn S.A. belonging to Enterprise Investors, which have so far been the shareholders of the Company, concluded a contract for transfer of a control package of shares in inONE S.A. to Web Inn. The sale of all 60% of shares in inONE held by the Issuer continues the process of organizing the structure of the ATM Group of Companies started in 2009, which aims for the Company to focus on core operations, i.e. provision of telecommunications services and ICT systems integration.

4.5. Description of the policy concerning development lines of the Issuer's Group of Companies

The Group's activity will still be focused on two main areas: provision of telecommunications services and ICT systems integration.

In the upcoming period in telecommunications activity, the Group will attempt to achieve a position of an indisputable leader on data centres market in Poland and possibly even of an important player in Europe. Thanks to previous investments, during the whole 2011, the Issuer will have at its disposal a significant area (in Telehouse.Poland) which may be offered for colocation and hosting services, using global trends and a growing demand for this type of services. In the subsequent periods, the Issuer will have at its

disposal new server areas in ATM Innovation Centre. Recently completed investments in city and intercity optical networks should contribute to growing revenue from broadband data transmission and traffic exchange on the Internet. Expected growth of revenue and profits from telecommunications activity should be immune to a potential bad economic situation. In the case of a good economic situation, however, the investments prepared should ensure significant acceleration of growth in subsequent years due to expected growing demand for services provided by ATM S.A.

As far as ICT systems integration is concerned, the Issuer will implement the contracts already signed, including the largest of them, i.e. OST 112 project. Due to organizational changes, including the combination of the biggest integration companies and better use of cooperation synergy between the Group's integration companies, the Group should achieve not only an accelerated growth, but also increased predictability of revenue. In the nearest periods, ICT systems integration should be the Group's strong pillar of growth to the same extent as telecommunications activity.

Additionally, the Group's third field of activity consist in mobile payments, which incurred significant losses in the past. It is still an innovative activity, but currently applied strategy in conducting this activity (significant cost reduction) excludes its considerable negative impact on the Group's current profits.

4.6. Description of off-balance sheet items by counterparty, object and value

Off-balance sheet items consist of contingent receivables and liabilities. No positions exist which could bear material impact on the activity of the Issuer's Group of Companies.

Detailed description of contingent receivables and liabilities has been provided in Note 27 of the Consolidated financial statements.

SIGNATURES OF MANAGEMENT BOARD MEMBERS:

Warsaw, 28 April 2011

Forename and surname	Position/function	Signature
Roman Szwed	Management Board President
Tadeusz Czichon	Management Board Vice-President
Maciej Krzyżanowski	Management Board Vice-President

STATEMENT OF THE MANAGEMENT BOARD

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

Warsaw, 28 April 2011

Forename and surname	Position/function	Signature
Roman Szwed	Management Board President
Tadeusz Czichon	Management Board Vice-President
Maciej Krzyżanowski	Management Board Vice-President

STATEMENT OF THE MANAGEMENT BOARD

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.

Warsaw, 28 April 2011

Forename and surname	Position/function	Signature
Roman Szwed	Management Board President
Tadeusz Czichon	Management Board Vice-President
Maciej Krzyżanowski	Management Board Vice-President

STATEMENT OF THE MANAGEMENT BOARD OF ATM S.A. ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2010

A) Listing of the collected corporate governance principles which the Issuer is required to follow

ATM S.A. follows the corporate governance principles specified in the "Code of Best Practice for WSE Listed Companies" introduced with Resolution No 12/1170/2007 of the Warsaw Stock Exchange Council dated 4 July 2007 amended by Resolution No 17/1249/2010 of the WSE Supervisory Board dated 19 May 2010.

The updated text of these principles is available on the Internet at:

<http://corp-gov.gpw.pl/assets/library/polish/publikacje/dpsn2010.pdf>

B) Extent to which the Issuer departed from application of the corporate governance principles described, descriptions of these principles and explanations of the reasons for departure.

The Management Board of the Company hereby states that as of 1 July 2010 the following corporate governance principles have not been applied:

I. Recommendations for Best Practice for Listed Companies

5. A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. In defining the remuneration policy for members of supervisory and management bodies of the company, the recommendation of the European Commission of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and the recommendation of the EC of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply.

Explanation: Remuneration policy of the Management Board and the Supervisory Board is subject to independent decisions of the Supervisory Board and the General Meeting, respectively. The Management Board of the Company shall have no impact on any regulations in this matter.

9. The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

Explanation: During this term of the Management Board and the Supervisory Board the Company does not anticipate to introduce any changes in order to implement the recommendation of WSE with respect to a balanced proportion of men and women in management and supervisory functions in the Company.

IV. Best Practices of Shareholders

10. item 2) A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.

Explanation: The Company will implement the above principle as of 1 January 2012.

C) Description of the basic characteristics of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements and consolidated financial statements.

The Management Board of the Company is responsible for internal control system and its efficiency with respect to the process of preparing financial statements and consolidated financial statements. Financial statements are prepared by the Company in accordance with the applicable provisions of law and International Accounting Standards.

The scope and advancement of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements is predominantly influenced by: optimal, competency-based division of tasks in the process of preparing financial statements, ongoing assessment of the Company's activity and estimated results prepared based on the assessment as well as audit of the financial statements by an independent expert auditor.

Following the procedure applied by the Company, in order to ensure the efficiency of the financial reporting process, the preparation of the financial statements is entrusted to competent employees of the Finance and Accounting Division managed by the Financial Director and Management Board, who are supported by persons responsible for the control of financial statements and matters related to the publication of reports.

D) Listing of shareholders owning, directly or indirectly, significant blocks of shares with a listing of the number of shares owned by the said entities, their percentage ownership of the share capital, the number of votes arising from these shares and their percentage of the overall number of votes.

Name and surname or company name	Number of shares held	Percentage of share capital	Number of votes at the General Meeting	Percentage of the overall number of votes
Tadeusz Czichon	5,956,887	16.39%	5,956,887	16.39%
Polsat OFE	3,346,343	9.21%	3,346,343	9.21%
ING OFE	3,517,923	9.68%	3,517,923	9.68%
Roman Szwed	3,287,993	9.05%	3,287,993	9.05%
ING TFI*	1,868,360	5.14%	1,868,360	5.14%
Piotr Puteczny**	1,817,500	5.00%	1,817,500	5.00%

The above figures reflect share ownership of natural persons as at the date of publication of this report.

The data concerning POLSAT OFE and ING OFE refer to the number of shares owned by these shareholders as at 31 December 2010 based on the "Annual asset structure".

* number of shares as at 20 December 2010 based on the current report No 31/2010

** jointly with his spouse

E) Listing of all owners of securities which grant special rights of control, with a description of these rights.

No securities exist which grant special control rights.

F) Listing of all restrictions on voting rights, such as restrictions on the execution of voting rights by a shareholder of a defined part or amount of votes, time-related restrictions on the execution of voting rights or subscriptions, in accordance with which, in cooperation with the company, equity rights related to securities are separate from the ownership of securities.

In accordance with Article 364 § 2 of the Code of Commercial Companies and Partnerships the Issuer shall not execute voting rights carried by 13,260 treasury shares (as at 31 December 2010) and these constitute the only restrictions as to exercising the voting right carried by the Issuer's shares.

G) Listing of all restrictions on the transfer of ownership rights to securities of the issuer.

The only restrictions as to the transfer of ownership title to the Issuer's securities concern shares purchased under the Incentive Scheme for ATM S.A. Group of Companies employees for the period 2008–2010 and series B shares issued as part of statutory capital which were entirely dedicated to the minority shareholders of KLK S.A.

80% of the shares purchased by persons entitled under the Incentive Scheme will be blocked (not available for sale or security). The purchased shares will be unblocked in the amount of 20% each year, starting from the date of their transfer to the investment account of the authorized person.

The Issuer's series B shares offered to the shareholders of KLK S.A. under an investment contract of 24 October 2006 are not available for sale in the following manner: each of the buyers is entitled to sell 1/3 of the purchased shares no earlier than after 31 March 2010, after 31 March 2011 and after 31 March 2012, respectively.

No other restrictions exist as to the transfer of ownership rights to the Issuer's securities.

H) Description of principles respecting the appointment and dismissal of management personnel and their rights, in particular the right to decide on the issuance or buyback of shares.

The Management Board acts on the basis of the Company's Articles of Association, resolutions of the General Meeting, the Code of Commercial Companies and Partnerships, other applicable provisions of law as well as on the basis of the Regulations of the Management Board adopted with a resolution of the Supervisory Board of 10 June 2009. The Management Board operates on the basis of and is subject to the corporate governance code. The Management Board is composed of three members: the President and two Vice-Presidents of the Management Board. The Management Board is appointed and recalled by the Supervisory Board, which also indicates the President of the Management Board. If a Member of the Management Board is recalled, the Supervisory Board is obliged to appoint a new Member of the Management Board at the same meeting. All matters related to managing the Company, not reserved by the Company's Articles of Association or the Code of Commercial Companies and Partnerships as the competence of the General Meeting of Company Shareholders or the Supervisory Board, belong to the responsibilities of the Management Board.

The Company's Management Board, acting collectively, has, in particular, the right and obligation to:

- define the strategy for the Company's development and present it to the Supervisory Board;
- apply and implement the Company's strategy;
- manage the Company's assets;
- assume financial obligations and conclude contracts;
- appoint and recall holders of a commercial power of attorney and authorized representatives;
- make resolutions on the organizational structure and internal regulations of the Company;
- define personnel and payroll policies, in particular appoint personnel to important management positions in the Company and its subsidiaries, define employment, salary and human resources policies;
- create an incentive scheme for employees;
- summon ordinary and extraordinary General Meetings of the Company;
- participate in General Meetings of the Company;
- submit motions at the General Meeting with regard to the distribution of profits or coverage of losses.

The Management Board President and Vice-Presidents are jointly appointed for a term of 5 years. The term of office of the Management Board Members shall expire on the day on which the General Meeting is convened to approve the Company's financial statements for the fiscal year in which the period of 4 years from the day of appointing the Management Board Members for a given term elapses. The term of a Management Board Member assuming the position in place of another Member whose term has been terminated, expires at the end of term of the entire Management Board. A Management Board member should not resign during the term of office. However, if a Management Board member is forced by circumstances to resign from the Management Board position, he must take into consideration the continuity of Company's operations and management, and try to minimize the negative effects of such a decision for the Company.

The Management Board shall have no authority to decide about the issue of shares. Moreover, the Management Board shall have no authority to decide about the buyout of shares, except for the authority

delegated to purchase the Company's shares in relation to the implementation of the Company's Incentive Scheme.

I) Description of principles respecting changes in the Issuer's articles of association.

An amendment to the Company's articles of association shall require a resolution of the General Meeting and registration in accordance with the Code of Commercial Companies and Partnerships. A resolution on the amendment to the Company's articles of association shall require a three-fourths majority of votes. The Management Board shall notify the registration court of every amendment to the Company's articles of association.

J) The manner of functioning of the General Shareholders Meeting and its basic rights, and a description of the rights of shareholders and the manner of their execution, in particular the principles arising from the regulations of the General Shareholders Meeting, if such regulations have been passed and are not a direct result of existing law.

The General Meeting, which consists of all Company's shareholders who are entitled to participate in the General Meeting, is the Company's highest decision-making body. General Meetings are conducted in accordance with the applicable provisions of law and relevant provisions of the Company's Articles of Association or the rules of procedure of the general meeting available at the website of ATM S.A. The General Meeting shall be summoned by the Company's Management Board. The Supervisory Board is entitled to summon an Ordinary General Meeting if the Management Board fails to summon it within six months after the end of each fiscal year and an Extraordinary General Meeting, should the Supervisory Board consider it expedient. A Shareholder or shareholders who own at least one twentieth of the share capital may request to summon an Extraordinary General Meeting as well as to add specific items to the agenda of the upcoming General Meeting. A request to add specific items to the agenda should be submitted to the Management Board in writing no later than fourteen days before a scheduled General Meeting. The General Meeting takes place in the Company's premises on the day specified in the announcement on summoning the General Meeting included in the current report summoning the General Meeting, in accordance with the applicable provisions of law. The announcement on summoning a General Meeting should be made no later than twenty-six days before the date of the General Meeting. The announcement shall state the date, time and venue of the General Meeting and a detailed agenda. Draft resolutions included in the agenda of the General Meeting with grounds for adopting them as well as other available materials connected with the specific General Meeting shall be presented to the shareholders at a time and in a place which enable the shareholders to acquaint themselves with them and assess them. Moreover, the agenda shall include issues which will be subject matters of resolutions of the General Meeting and are being investigated and evaluated by the Supervisory Board.

Persons authorized to participate in an Ordinary General Meeting are those who have been the Company's shareholders 16 days prior to the date of the Ordinary General Meeting, i.e. on the day of registration of participation in the Ordinary General Meeting. Beneficial holders of registered shares and provisional certificates, likewise pledgees and usufructuaries who are entitled to vote, may take part in the Ordinary General Meeting, provided they have been entered in the register of shares on the registration date. Holders of dematerialized bearer shares in ATM S.A. shall put down with the Company certificates stating the right to participate in the Ordinary General Meeting issued by a subject operating the securities account no earlier than after the announcement on summoning the Ordinary General Meeting and no later than on the first weekday after the registration of participation in the Ordinary General Meeting. Subject to the shareholder's choice, the certificate should state a part or all shares registered in his securities account.

Alongside the matters regulated by the provisions of the Code of Commercial Companies and Partnerships and the Company's Articles of Association, the powers of the General Meeting include:

- a) recognition and reversal of capital reserves, special funds and specification of their purposes;
- b) determination of the Supervisory Board Members' remuneration;
- c) adoption of the Supervisory Board Rules;
- d) adoption of the General Meeting Rules and Regulations.

The agenda is proposed by the body which summons the General Meeting. In the event of matters included in the agenda at the request of shareholders, to remove such an item from the agenda or abandon it, the General Meeting must pass a resolution upon prior consent of all requesting shareholders who are present, backed by 75% of votes of the General Meeting. In the event referred to in Article 397 of the Code of Commercial Companies and Partnerships, a resolution on the dissolution of the Company shall require the majority of votes. A change of the Company's object of activity follows without the a buyout of shares held by shareholders who do not consent to change of the undertaking's object of activity, provided the

resolution on the change of the Company's object of activity is backed by a two-thirds majority of votes of present shareholders representing at least 50% of the share capital. The President of the Supervisory Board or a person indicated by the President shall open the General Meeting. Should the President of the Supervisory Board be absent at the General Meeting or fail to indicate a person to open the General Meeting, the General Meeting shall be opened by a shareholder who holds the highest number of shares in the Company's share capital or his representative present at the General Meeting. The person who opens the General Meeting should forthwith choose a Chairperson from among the participants. The Chairperson of the Meeting shall state the formal validity of summoning the General Meeting and chairs the proceedings in accordance with the adopted agenda, applicable provisions of law, the Company's Articles of Association, General Meeting Rules and Regulations and corporate governance principles adopted by the Company. The Chairperson of the General Meeting shall watch over the correct conduct of the proceedings as well as the respect for rights and interests of all shareholders. The Chairperson should prevent the abuse of rights by the participants of the General Meeting and, in particular, ensure the respect for minority shareholders' rights. Having checked and signed the attendance list, the Chairman shall conduct the voting on the agenda. The General Meeting may adopt the proposed agenda as it is, modify the sequence of items in the agenda or remove some matters from the agenda. A request on abandoning the proceedings over a matter included in the agenda shall be duly substantiated. In the case of a matter included in the agenda at the request of shareholders, the General Meeting cannot remove this matter from the agenda or abandon the proceedings over this matter. The General Meeting may also add new items to the agenda, and discuss such items, without however passing any resolutions concerning such items. If the General Meeting resolves to remove an item from the agenda, motions submitted in connection with the removed item are abandoned. The Chairperson may not independently remove items from the announced agenda, change the order of individual items, or proceed on matters of substance not included in the agenda. Following the presentation of each item included in the agenda, the Chairperson shall open the discussion, inviting speakers in the order of their enlisting. The decision on closing the discussion is made by the Chairperson. Speakers may express their opinions only on items included in the agenda, referring to the currently discussed item. As regards formal matters, the Chairperson may invite speakers outside the established sequence. The discussion on formal motions should be conducted directly after submitting them. Having closed the discussion on formal motions, the Chairperson opens the General Meeting's voting on these items. Having exhausted the agenda, the Chairperson closes the General Meeting. Following the closing of the General Meeting, it no longer constitutes an organizational body of the Company, and the participants of the General Meeting may not pass valid resolutions. Detailed rules of participation and execution of voting rights at the General Meeting as well as particular stages of the proceedings have been presented in the General Meeting Rules and Regulations and Company's Articles of Association, available at the Company's website.

K) The personnel composition of management, supervisory and administrative bodies of the Issuer and any changes thereto during the previous fiscal year, along with a description of the activities and committees of the said bodies.

In 2010, the Management Board of ATM S.A. was composed of the following members:

- Roman Szwed — Management Board President,
- Tadeusz Czichon — Management Board Vice-President,
- Maciej Krzyżanowski — Management Board Vice-President,

The Management Board holds meetings at least once a month. The meeting of the Management Board may be called by either of the Management Board Members at any time, by notifying the other Members. For a Management Board meeting to be valid, at least 2 Members of the Management Board must be present. The meetings of the Management Board are chaired by the President of the Management Board. The meetings of the Management Board can be held without formal summoning and the agenda established at every meeting if all the members of the Management Board participate in the meeting. Should any disputes arise and, in particular, when adopting resolutions, the Management Board shall try to reach a consensus. Should an agreement be impossible, the resolutions of the Management Board shall be adopted by a majority vote. In the event of equal split of votes, the Management Board President's vote prevails. In the event of conflict of interests, the member of the Management Board whom such conflict concerns shall abstain from voting. Voting at the Management Board meetings is open. The Management Board may invite to the meeting other persons whose participation may help in managing the Company.

From 1 January 2010 to 31 December 2010, the Company's Supervisory Board was composed of the following members:

- Jan Wojtyński — Supervisory Board Chairman

- Tomasz Tuchołka — Supervisory Board Deputy Chairman
- Sławomir Kamiński — Supervisory Board Member
- Mirosław Panek — Supervisory Board Member
- Zbigniew Mazur — Supervisory Board Member (until 29 November 2010)
- Grzegorz Domagała — Supervisory Board Member (from 29 November 2010)

The Supervisory Board acts in compliance with the Company's Articles of Association, resolutions of the General Meeting of Shareholders, applicable laws and the Supervisory Board Rules. The Supervisory Board operates on the basis of and is subject to the corporate governance code. Members of the Supervisory Board are appointed for a joint 5-year term of office. The term of office of the Supervisory Board Members shall expire on the day on which the General Meeting is convened to approve the Company's financial statements for the fiscal year in which the period of 4 years from the day of appointing the Supervisory Board Members for a given term elapses. The term of a Supervisory Board Member assuming the position in place of another Member whose term has been terminated, expires at the end of term of the entire Supervisory Board. Each Member of the Supervisory Board may resign from the office during the term, even without cause. However, such resignation should respect the corporate governance code. The Supervisory Board shall hold its meetings at least once every quarter. The Supervisory Board meetings are convened by the Chairman. This shall not restrict the right of the Management Board or a Supervisory Board Member to convene the meetings of the Supervisory Board, in accordance with the provisions of the Code of Commercial Companies and Company's Articles of Association. The person convening the Supervisory Board meeting shall immediately notify the Management Board. The Supervisory Board meetings shall be chaired by the Supervisory Board Chairman. In absence of the Chairman, the meeting shall be chaired by the Deputy Chairman, and in absence thereof — by another Supervisory Board Member appointed by the Chairman, and if no such person has been appointed — by the oldest Supervisory Board Member.

The agenda of a Supervisory Board meeting may be suggested to the Chairman by other Members and by the Management Board, via email, at least 7 days before the date of the meeting. The Supervisory Board adopts resolutions by absolute majority of votes of Members attending the meeting. In the event of equal split of votes, the Chairman's vote prevails. In cases envisaged in the corporate governance code a resolution should be passed only if it is supported by at least one independent Member of the Supervisory Board. Voting at the Supervisory Board meetings is open. On a justified request of at least one Supervisory Board Member or in cases required by the applicable law, voting is secret. The Supervisory Board meetings shall be accessible and open to the Management Board Members, except for matters directly related to the Management Board or its Members. The Supervisory Board may invite to the meeting other persons who can provide the Board with required information. The minutes of Supervisory Board meetings are taken by a minutes secretary appointed by the Management Board, and accepted by the Supervisory Board. The Supervisory Board may proceed without the minutes secretary. In such event, the minutes are kept by the person chairing the meeting. The minutes should be taken on an ongoing basis during the proceedings, and signed by the minutes secretary and all the attending Members immediately after closing the meeting. In justified cases, a Supervisory Board Member may sign the minutes at a later time. Pursuant to the Company's Articles of Association, the Supervisory Board may adopt resolutions in writing or through direct remote communication means. In the event of adopting a resolution in writing, the resolution contents must be delivered to the Supervisory Board Members by e-mail or fax.

The minutes of a Supervisory Board meeting shall be immediately delivered by the chairing person to the Minutes File kept by the Management Board of the Company. The Supervisory Board may designate one or more Members to independently perform specific supervisory activities. The detailed rules and scope of such supervisory activities shall be determined in a case-to-case basis by a Supervisory Board resolution adopted with consultation of the Management Board. Such resolution shall set forth the amount and method of payment of the remuneration for the performed activities. The remuneration of the Chairman and other Members of the Supervisory Board shall be determined by the General Meeting.

Roman Szwed — Management Board President

Tadeusz Czichon — Management Board Vice-President

Maciej Krzyżanowski — Management Board Vice-President