ATM S.A. CAPITAL GROUP

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

(in PLN thousand)

CONTENTS

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. capital group with the report on the activities for 2011. This document includes the financial results, the statutory auditor's opinion, and the most important information concerning the Group's activity and events of the previous year.

According to the Management Board, last year was a turning point for the whole ATM S.A. capital group. We have successfully managed to merge the two largest IT companies which already in the beginning of 2011 started to provide services related to the integration of ICT systems and the construction of technical infrastructure, including the installation of data centers, under a single brand of ATM Systemy Informatyczne. In addition, the company was very successful in telecommunications activities, especially at the end of the year. As expected, the newly constructed F3 facility at ATMAN Data Center aroused great interest of customers. Already during the first month following its completion, we managed to lease, for many years, more than 33% of space available in this one of the most state-of-the-art facilities in Poland. Therefore, in 2011 we have successfully accomplished sales targets resulting from our investment policy in the data center market.

Financial results developed in 2011 should be regarded as satisfactory. In days that are tough for many companies, the Group generated its all-time highest level of sales revenue of over PLN 444.5 million (11% increase y/y), sales margin of PLN 136.98 million (5% increase y/y), operating profit of PLN 31.6 million (5% decrease y/y), and net profit of PLN 16.7 million (23% decrease y/y).

The results of telecommunications activity of ATM S.A. should be highlighted, as it achieved a considerable growth of revenue for the fourth year in a row. In this area, the Group significantly exceeded PLN 175 million of annual revenue (50% increase y/y) and PLN 17.27 million of operating profit (9% increase y/y), which allows to count ATM among the largest entities offering telecommunications services for business in Poland.

In the area of provision of services related to the ICT systems integration, in the last year we did not manage to improve the financial results of 2010 — historically the best in many years of activity. Last year, in this operating segment the Group recorded the following financial results: PLN 279.6 million of sales revenue (10% decrease y/y), PLN 66.2 million of sales margin (1% decrease y/y), and PLN 16.1 million of operating profit (15% decrease y/y). It should be noted, however, that IT activity of ATM in the recent years more than doubled, reaching, yet for another year in a row, revenues significantly exceeding PLN 250 million, which had never happened before in the long-term activity of the company.

Past months were also a period of hard work over the division of ATM into two financially independent companies listed on the Warsaw Stock Exchange (WSE): ATM – telecommunications activity, ATM SI – IT activity. We have successfully managed to organize companies belonging to the ATM capital group to function independently and effectively within the two newly created capital groups. On 16 April 2012, the Polish Financial Supervision Authority (KNF) approved the Prospectus of ATM Systemy Informatyczne, and the ATM Extraordinary General Meeting on 20 April 2012 adopted a resolution on the division of ATM by transferring part of the organized enterprise to the IT company. Therefore, the odds are that the debut of ATM Systems – one of the largest ICT integrators in Poland – will be possible even in May. This change, in addition to a significantly simplified structure of the ATM capital group, will allow both companies to conduct homogeneous operations, and, consequently, make their valuation on the capital market easier and closer to the real value. Thus, we meet the preferences of investors, who, as of the division, will be able to invest through a clear strategy in the telecommunications or IT company. As one of the founding shareholders, I believe that the greatest change in the 20-year history of the ATM operation is a legitimate, if not crucial step enabling each of these two already mature businesses to use the enormous potential to increase the value within their own areas of business activity.

Sincerely yours,

Roman Szwed
President of the Management Board

SELECTED FINANCIAL DATA

	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	in PLN thousand		in EUR thousand	
Total sales revenue	444,582	401,779	107,384	100,336
Operating profit (loss)	31,616	33,150	7,637	8,279
Profit before taxation	22,806	25,941	5,508	6,478
Net profit of parent undertaking shareholders	16,323	20,438	3,943	5,104
Net cash flows from operating activities	56,486	81,187	13,644	20,275
Net cash flows from financial activities	5,142	(17,074)	1,242	(4,264)
Net cash flows from investment activities	(45,330)	(29,805)	(10,949)	(7,443)
Increase (decrease) in cash flows	16,298	34,307	3,937	8,568
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
Fixed assets	369,733	339,010	83,711	85,602
Current assets	168,905	197,855	38,242	49,960
Total assets	538,638	536,865	121,952	135,562
Long-term liabilities	63,358	55,871	14,345	14,108
Short-term liabilities	192,188	205,721	43,513	51,833
Equity	283,090	275,273	64,094	69,508
Share capital*	34,723	34,723	7,862	8,768
Parent undertaking shareholders' equity	275,771	267,462	62,437	67,536
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	7.59	7.36	1.72	1.86
Diluted book value per share (PLN/EUR)	7.59	7.36	1.72	1.86

**) share capital has been restated in accordance with MSR 29*

The above financial data as at 31 December 2011 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated on the basis of the average exchange rate published by the National Bank of Poland (NBP) on 31 December 2011 of PLN/EUR 4.4168;
- particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month of the fiscal year (between 1 January and 31 December 2011), amounting to PLN/EUR 4.1401.

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 on the basis of the average exchange rate published by the National Bank of Poland (NBP) on 31 December 2010 of PLN/EUR 3.9603;
- particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month of the fiscal year (between 1 January and 31 December 2010), amounting to PLN/EUR 4.0044.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

KEY INFORMATION REGARDING THE CONSOLIDATED ANNUAL REPORT

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. capital group made in accordance with International Financial Reporting Standards, as approved by the European Union, for the period from 1 January to 31 December 2011.

Submission date: 25 April 2012

Information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
Sector according to the Warsaw Stock Exchange classification: Information technology
Postal code: 04-186
City: Warsaw
Street name: Grochowska
Number: 21a
Telephone: (22) 51 56 660
Fax: (22) 51 56 600
E-mail: inwestor@atm.com.pl
Website: www.atm.com.pl
NIP (taxpayer identification number): 113-00-59-989
REGON (statistical number): 012677986
Entity authorized to perform the audit: PKF Audyt Sp. z o.o.

TOTAL INCOME STATEMENT

	NOTE	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Continued activity			
Sales revenue	3	444,582	401,779
Cost of sales (variable)	4	307,603	271,235
Cost of sales (fixed)	4	27,399	30,968
Gross profit (loss) on sales		**109,580**	**99,577**
Other operating revenue	5	2,221	1,581
Sales cost		434	251
Administrative expenses	4	76,673	64,842
Other operating expenses	6	3,077	2,914
Restructuring cost			-
Operating profit (loss)		**31,616**	**33,150**
Share in the financial result of undertakings valued with the equity method		(316)	1,032
Financial revenue	7	6,016	9,152
Financial expenses	8	14,511	17,393
Profit (loss) before taxation		**22,806**	**25,941**
Income tax	9	6,486	4,544
Net profit (loss) on continued activity		**16,319**	**21,397**
Discontinued activity			
Net profit (loss) on discontinued activity		115	-
Net profit (loss)		**16,434**	**21,397**
Net profit (loss) for the Group's shareholders		16,323	20,438
Net profit (loss) for minority shareholders		111	959
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		**16,434**	**21,397**
Total income for the Group's shareholders		16,323	20,438
Total income for minority shareholders		111	959
On continued activity:			
Ordinary		0.45	0.59
Diluted		0.45	0.59
On continued and discontinued activity:			
Ordinary		0.45	0.59
Diluted		0.45	0.59
EBITDA		57,502	55,962

CONSOLIDATED FINANCIAL SITUATION STATEMENT – ASSETS

	NOTE	End of the period 31/12/2011	End of the period 31/12/2010
Fixed assets			
Goodwill	11	18,579	18,580
Intangible assets	12	64,775	67,373
Tangible fixed assets	13	218,167	181,653
Investments in associates consolidated using the equity method		67,324	67,640
Other financial assets	14	80	80
Deferred income tax assets	9	0	1,374
Other fixed assets	15	808	2,310
		369,733	**339,010**
Current assets			
Inventories	16	15,240	25,997
Financial assets held for trading	13	104	94
Trade and other receivables	17	88,681	121,521
Income tax receivables		71	26
Other current assets	18	8,243	9,948
Other financial receivables	18		-
Cash and cash equivalents	19	56,566	40,269
		168,905	**197,855**
Fixed assets classified as held for sale		-	-
Total assets		**538,638**	**536,865**

CONSOLIDATED FINANCIAL SITUATION STATEMENT – LIABILITIES

	NOTE	End of the period 31/12/2011	End of the period 31/12/2010
Equity			
Share capital	20	34,723	34,723
Supplementary capital from share premium		159,030	159,030
Revaluation reserve		-	-
Treasury shares		-	(13)
Reserve capital		40,429	38,298
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	20	41,589	35,424
Total Group shareholders' equity		**275,771**	**267,462**
Non-controlling shares		7,319	7,811
Total shareholders' equity		**283,090**	**275,273**
Long-term liabilities			
Long-term loans and credits	22	2,103	1,889
Provisions for deferred tax	23	1,224	-
Provisions for liabilities		-	
Long-term trade and other liabilities		31,068	31,436
Other financial liabilities		28,964	22,546
	26	**63,359**	**55,871**
Short-term liabilities			
Bank loans and credits	22	41,338	13,846
Provisions for liabilities	23	-	
Income tax liabilities		996	2,467
Trade and other liabilities	25	135,056	173,405
Other financial liabilities		14,799	16,003
		192,189	**205,721**
Liabilities related directly to fixed assets classified as held for sale		-	-
Total liabilities		**538,638**	**536,865**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Revaluation reserve	Retained earnings	Total Group shareholders' equity	Non-controlling shares	Total equity
As at 1 January 2011	**34,723**	**159,030**	**(13)**	**38,298**	**-**	**35,424**	**267,462**	**7,811**	**275,273**
Increases:									
Capital increase	-	-	-	-	-	-	-	-	-
Current period results	-	-	-	-	-	16,323	16,323	111	16,434
Share subscription under the stock option plan	-	-	13	9	-	-	22	-	22
Valuation of management options	-	-	-	-	-	878	878	-	878
Changes to the Group's structure	-	-	-	-					-
Profit distribution	-	-	-	2,122	-	-	2,122	-	2,122
Reduction:									
Purchase of treasury shares under stock option plan	-	-	-	-	-	-	-	-	-
Purchase of shares after the control taking date		-	-	-	-	-	-	-	-
Current period results	-	-	-	-	-	-	-	-	-
Profit distribution to be allocated to reserve capital	-	-	-	-	-	2,122	2,122	-	2,122
Dividend payout	-	-	-	-	-	8,359	8,359	-	8,359
Changes to the Group's structure	-	-		-	-	555	555	603	1,158
As at 30 September 2011	**34,723**	**159,030**	**-**	**40,429**	**-**	**41,589**	**275,771**	**7,319**	**283,090**

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Revaluation reserve	Retained earnings	Total Group shareholders' equity	Minority share	Total equity
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	-	-	-	-	-	-	-	-	-
Reduction:							-	-	-
Purchase of treasury shares under stock option plan	-	-	2,348	-	-	-	2,348	-	2,348
Revision of previous years' results	-	-	-	-	-	-	-	-	-
Revision of previous years' results – 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**

CONSOLIDATED CASH FLOW STATEMENT

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Operating activity		
Profit (loss) before taxation	**22,806**	**25,941**
Adjustments by items:	33,681	55,246
Share in net loss (profit) of undertakings valued with the equity method	(316)	1,032
Amortization and depreciation	25,886	22,684
Exchange rate differences	3,052	2,276
Interest received	124	89
Interest paid	6,462	4,687
Dividends received	-	-
Profit (loss) on investment activity	(5,382)	280
Change in inventories	15,099	(16,118)
Change in receivables	29,360	(60,602)
Change in liabilities and provisions	(32,425)	103,327
Change in other assets	(3,019)	3,297
Income tax paid	(4,664)	(2,192)
Other	(498)	(2,610)
	56,486	**81,187**
Investing activities		
Expenses on tangible fixed assets purchases	(68,733)	(42,816)
Expenses on financial assets purchases		379
Revenue from sale of tangible fixed assets	17,319	12,633
Repayment of long-term loans granted	-	
Long-term loans granted	-	-
Revenue from sales of financial assets	7,200	
Cost of purchase of financial assets sold	(469)	
Interest received		-
Dividends received		-
Exchange rate differences	(68)	43
Other	(578)	(43)
	(45,330)	**(29,805)**
Financing activity		
Net proceeds from issue of shares and other capital contributions	365	
Subsidies received	7,885	360
Proceeds from credits and loans	38,743	6,991
Repayments of credits and loans	(10,983)	(2,495)
Purchase of treasury shares	13	(2,352)
Payment of liabilities arising from finance lease	(15,790)	(14,387)
Dividends paid	(8,359)	-
Interest received	0	10
Interest paid	(6,529)	(4,855)
Other profit-sharing		-
Exchange rate differences	66	(236)
Other	(270)	(109)
	5,142	**(17,074)**
Change in cash	**16,298**	**34,307**
Opening balance of cash	40,269	5,961
Closing balance of cash	**56,566**	**40,269**

ADDITIONAL EXPLANATORY NOTES

NOTE 1.
BASIC INFORMATION

1. Information concerning the parent undertaking

ATM S.A. is a joint-stock company. The Company launched its operation 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 a notarial deed drawn up at the Notarial Office in Raszyn on 16 May 1997 (Repertory No 3243/97).

The registered office of the Company is located in Warsaw at 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 is registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The Company is registered under the National Court Register (KRS) number 0000034947.

ATM S.A. is listed on the Warsaw Stock Exchange. The ownership structure as at 31 December 2011 and 31 December 2010 has been presented in Note 20.

According to the Warsaw Stock Exchange classification, basic activity of the Company concerns the IT sector. The Company's basic activity 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, the Group provided services in the following areas:

- telecommunications and value added services, including Internet access for telecommunications providers and corporate customers, 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

The Management Board as at 31 December 2011 consisted of:

- Roman Szwed – President of the Management Board
- Tadeusz Czichon – Vice-President of the Management Board
- Maciej Krzyżanowski – Vice-President of the Management Board

The Supervisory Board as at 31 December 2011 consisted of:

- Jan Wojtyński – Chairman of the Supervisory Board
- Tomasz Tuchołka – Vice-Chairman of the Supervisory Board
- Grzegorz Domagała – Member of the Supervisory Board
- Sławomir Kamiński – Member of the Supervisory Board
- Mirosław Panek – Member of the Supervisory Board

In connection with the ATM S.A. Extraordinary General Meeting's resolution of 20 April 2012 (current report No 22/2012) on the division of the Issuer into two listed companies: ATM Systemy Informatyczne and ATM, the Management Boards of both companies decided to carry out personal division in their memberships. For this reason, on 23 April 2012, Roman Szwed resigned from his function as the President of the Management Board of ATM as of 30 April 2012. However, he will remain the President of the Management Board of ATM Systemy Informatyczne. The composition of the Management Board of ATM Systemy Informatyczne will not change, and the Management Board of the company will still be composed of 4 members.

Maciej Krzyżanowski, current Vice-President of the Management Board of ATM S.A., intends to be appointed the President of the Management Board upon prior decision on this matter by the Supervisory Board. In connection with this change, the Management Board of ATM will be composed of 2 members. At the same time, Roman Szwed expressed his intention to become a member of the Supervisory Board of ATM.

2. Information concerning undertakings included in the capital group

In 2011, the following changes occurred with respect to the ATM S.A. capital group:

- 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, which resulted in the creation of an entity under the business name of ATM Systemy Informatyczne Spółka Akcyjna, in which 100% of share capital and 100% of votes at the General Meeting are held 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 an increase in the share capital of ATM Systemy Informatyczne S.A. to the amount of PLN 986,733, according to the resolution of the Extraordinary General Meeting of ATM Systemy Informatyczne S.A. adopted on 27 December 2010, which resulted in ATM S.A.'s acquisition of 453,373 shares,
- on 24 January 2011, a resolution was adopted to increase the share capital of mPay S.A. to PLN 20,000,000 and to acquire 1,450,000 new shares by ATM S.A.,
- on 7 February 2011, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered the increase in the share capital of mPay S.A. to PLN 20,000,000, as a result of which the subscription of 1,450,000 shares by ATM S.A was approved,
- on 31 March 2011, a contract was concluded on transfer of rights to all 60% of inONE S.A. shares owned by ATM S.A. in the number of 300,000 and valued at PLN 7,200,000 to Web Inn S.A.,
- on 2 August 2011, a resolution was adopted to define the amount of mPay S.A. share capital increased on 14 June 2011 to PLN 22,400,000 through the issue of shares. Within the increased capital, ATM S.A. acquired 3,611,527 shares valued at PLN 1,805,763.50,
- on 12 October 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. to PLN 22,400,000, while ATM S.A. acquired shares valued at PLN 1,805,763.50.

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

Company name	Scope of activity	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	65.64%	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 acquired company) and KLK S.A. (the acquiring company). The joint 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 accounting records of 2011.*

Companies consolidated using the equity method:

Company name	Scope of activity	Dependence	Stake in share capital	Share in the overall number of votes
Linx Telecommunications B.V.	Telecommunications services	Affiliate	21.27%	21.27%

3. Grounds for preparing the 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. Declaration of compliance

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 International Financial Reporting Standards as approved by the European Union.

2. Adoption of International Financial Reporting Standards

Standards and interpretations first applied in 2011

The following amendments to the existing standards published by the International Accounting Standards Board and approved by the EU came into force in 2011:

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);

Standards and interpretations pending for approval by the EU:

IFRS 9 Financial Instruments – the new standard replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement – on the classification and valuation of financial assets. The standard eliminates the existing IAS 39 held-to-maturity and available-for-sale categories, as well as loans and receivables. The standard shall be effective for annual periods beginning on or after 1 January 2013;

IFRS 10 Consolidated Financial Statements will replace IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 interpretation "Consolidation – Special Purpose Entities". The standard shall be effective for annual periods beginning on or after 1 January 2013;

IFRS 11 Joint contractual arrangements will replace the IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." The standard shall be effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities sets out the objectives of disclosures and the minimum scope of disclosures required to achieve these objectives. The standard shall be effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement – the standard provides guidance regarding fair value measurement for all other standards. The standard shall be effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements contains requirements for accounting and disclosures of information about investments in subsidiaries, associates and joint ventures, which remain unchanged in relation to the separate financial statements and are included within the scope of modified IAS 27. Other requirements contained in IAS 27 have been replaced with the requirements of IFRS 10. The standard shall be effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures – this standard has been modified in such a way as to correspond to the provisions of IFRS 10 and IFRS 11. The standard shall be effective for annual periods beginning on or after 1 January 2013.

Amendment to IAS 12 Deferred income tax: Future implementation of an asset – amendment of 2010 introduces an exception to the current deferred tax valuation rules contained in paragraph 52 of IAS 12, based on the method of implementation. The amendment shall be effective for annual periods beginning on or after 1 January 2012.

Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters of IFRS. The amendment shall be effective for annual periods beginning on or after 1 July 2011.

Amendment to IAS 1 Presentation of Items of Other Comprehensive Income. The amendment shall be effective for annual periods beginning on or after 1 July 2012.

Amendment to IAS 19 Employee Benefits. The amendment shall be effective for annual periods beginning on or after 1 January 2013.

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine. The amendment shall be effective for annual periods beginning on or after 1 January 2013.

According to the estimates of the Company, the above mentioned standards, interpretations and amendments to standards would not have significant impact on the financial statements if they were applied by the Company as at the balance sheet date.

3. Estimates of the Management Board

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 the 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 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 adopted forward-looking assumptions, 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 provide for any pension schemes managed directly by the Group or by external funds. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to the provisions of labour law at the end of their employment period. Short-term employee benefit liabilities are valued according to general principles. Due to the intangible 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 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 project costs already incurred to total estimated project costs. Due to the nature of implemented projects and the possibility that unforeseen difficulties emerge in relation to project implementation, it may turn out that actual total 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 recognized revenue.

c) bonuses from producers for reaching the annual volume of sales

The Group estimates the expected value of bonuses from producers which the Company should receive for orders placed 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 — on the balance sheet date) estimates concerning correctness of the determination of life of individual fixed assets, 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 comprise 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 with the use of 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 acquired assets, as well as 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 costs of acquisition over the fair value of the Group's share in the identifiable acquired net assets is recorded as goodwill. Goodwill is not subject to depreciation, but is annually tested for impairment.

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

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

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 comprise all entities over which the Group has significant influence but not control, which generally indicates 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 and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition.

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

Intangible assets

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

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

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

- from the technical point of view, the intangible asset can be completed so that it can be sold or used;
- it is possible to demonstrate the intention to complete the asset as well as to 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 apprehended;
- technical and financial resources required to complete development works and to use and sell the asset will be provided;
- it is possible to reliably determine the expenditure incurred during development works.

The expenditure incurred during research work and expenditure that does not meet the aforementioned conditions is recognized as cost 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, expenses incurred in order to obtain such rights in the secondary market (from other undertakings), and expenses related to granting such rights by competent state authorities, are recognized as intangible assets and are depreciated over the contractual period during which the entity can use such rights.

Rates adopted for depreciation of intangible assets reflect their predicted useful life. The Group does not possess intangible assets with indefinite useful life. Intangible assets with definite useful lives are depreciated on a straight-line basis. Useful lives for individual intangible assets are as follows:

obtained perpetual usufruct rights	100 years
software licenses	2 years
development works	3–5 years
trademarks	5 years
property rights	5 years

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

On the balance sheet date, intangible assets are valued at costs reduced by depreciation charges and potential permanent 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 incurred investment expenditure as well as expenditure incurred in relation to the future supplies of machinery, equipment and services related to the construction of fixed assets (advance payments).

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

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 situation statement at production cost reduced by impairment write-downs. Production cost 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 used for the first time, in accordance with the principles concerning other fixed assets.

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. 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 in the secondary market, they are recognized as intangible assets and depreciated over their predicted useful life.

Fixed assets and fixed assets in development are tested for impairment where there are circumstances indicating impairment; while for fixed assets in development a potential impairment is determined on every balance sheet date. The effects of impairment of fixed assets and fixed assets in development are recognized as other operating expenses.

On the balance sheet date, fixed assets and fixed assets in development are valued at costs reduced by 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 account, loans granted and own receivables, financial assets held to maturity and financial assets available for sale. The classification of an individual financial asset depends on the purpose of the financial asset, 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 and loss account. Reclassification in and out of financial assets valued at fair value through profit and loss account is prohibited.

a) Financial assets valued at fair value through profit and loss account

   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 in this category if they are intended for sale in the short term. Derivatives (except for hedging instruments) are also classified as the held for trading financial assets.

   Financial assets valued at fair value through profit and loss account 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 occur.

b) Loans granted and own receivables

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

   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 depreciated cost with 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 a revenue is recognized.

On the balance sheet date, trade receivables are valued at depreciated cost with 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 in liquidation or bankruptcy – to the amount of receivables not hedged;
- from debtors where a bankruptcy petition has been dismissed – 100% of the amount of receivables;

- disputed receivables or receivables that are overdue and their payment is not probable – to the amount of receivables not hedged;
- receivables equivalent to the amounts added back to receivables – in those amounts;
- receivables that are overdue or not overdue but it is highly probable that 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 accounting records and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section.

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

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 depreciated cost with the effective interest rate method.

d) Financial assets available for sale

Among financial assets available for sale, the Group includes 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. On the balance sheet date, this category is measured at fair value.

Interest income related to financial assets available for sale is recognized in the profit and loss account using the effective interest rate method. Dividends related to financial assets available for sale are recognized in the profit and loss account on the date when the Group’s rights to receive payment are established. All other fair value movements are recognized in equity. On the sale or expiry of these assets, the valuation effects included 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.

In 2012, the Issuer provides for a division of the Company by separating an organized part of the enterprise, consisting of assets related to IT activities, and in particular of shares in companies belonging to the ATM Capital Group engaged in IT activity, i.e.: ATM Systemy Informatyczne, ATM Software, Impulsy and Sputnik Software, and bringing it to ATM Systemy Informatyczne. As a result of this division, the Issuer’s existing shareholders will become shareholders of ATM and ATM Systemy Informatyczne, holding the same number of shares in both companies as before the division. Resolution in this regard was adopted by the Extraordinary General Meeting of the Issuer’s Shareholders on 20 April 2012; the Division Plan was published in the current report No 17/2011 of 28 November 2011, and information about the prospectus of ATM Systemy Informatyczne was communicated via the current report No 19/2012 of 17 April 2012.

As a result of the division, business continuity will be maintained as regards both activities: IT activity carried out mostly by ATM Systemy Informatyczne before and after the division, and telecommunications activity carried out by ATM, also before and after the division. However, it can be interpreted that separating the organized part of the enterprise in terms of the Issuer’s company can be regarded as related to “assets associated to discontinued operations”, as defined in IFRS 5. In this case, § 38 of IFRS 5 requires the presentation in the Issuer’s financial statements of individual items of financial statements with the exception of the items associated with the “group of assets held for sale,” and incorporating them into a single balance sheet item as “assets held for sale” and into a single profit and loss account item as “income from discontinued operations.” Such a presentation of data in the Issuer’s financial statements, since the IT activity, subject to the separation, is a significant part of the Issuer’s total activity on a consolidated basis, its omission and preparing only one “aggregated” financial statement item would make the presentation of data misleading, and the financial statements would not meet the objectives specified in the *Conceptual Framework*.

Therefore, in accordance with IAS 1 *Presentation of Financial Statements* § 19, the Issuer’s Management Board has decided that an actual application of provisions of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as regards the presentation of assets held for separation from ATM in the form of the organized part of the enterprise and acquired by ATM Systemy Informatyczne as a result of the division, would be incorrect. In connection with the above, the Company did not reduce the number of assets as at 31 December 2011 and liabilities associated with these assets, due to the fact that it owned them, and obtained economic benefits from them, and it will own them and obtain economic benefits from them in 2012, until the date of registration of the companies’ division; although the Company will no longer obtain the said economic benefits after the registration, the benefits will be obtained by a company owned by the same owners as the Issuer. Reduction in the number of assets would incorrectly present financial condition of the Company at the balance sheet date. As a result of the division and according to division plan, assets included in the organized part of the enterprise will be transferred to ATM Systemy Informatyczne upon registration of a resolution on ATM’s division by the Registry Court, which will probably take place in May 2012, and since then the property will be recognized in the form of assets and liabilities related to these assets included in the financial statements of ATM Systemy Informatyczne.

At the same time, in order to provide the recipients of this statements with complete and exhaustive information on the value of individual assets and related liabilities to be transferred from ATM to ATM SI upon the division, the Issuer announces that as at 31 December 2011, if this would be the date of the company’s division, the following figures would be transferred to ATM SI on a consolidated basis as a result of the separation:

Consolidated financial situation statement – assets

	End of the period 31/12/2011
Fixed assets	
Goodwill	18,448
Intangible assets	16,328
Tangible fixed assets	21,279
Investments in associates consolidated using the equity method	-
Other financial assets	80
Deferred tax assets	1247
Other fixed assets	391
	57,773
Current assets	
Inventories	10,949
Financial assets held for trading	-
Trade and other receivables	68,556
Income tax receivables	13
Other current assets	6,226
Cash and cash equivalents	19,071
	104,815
Fixed assets classified as held for sale	-
Total assets	**162,588**

Consolidated financial situation statement – liabilities

	End of the period 31/12/2011
Equity	
Share capital	6,282
Supplementary capital from share premium	8,587
Elimination of ATMSI treasury shares	20,811
Treasury shares	-
Reserve capital	4,304
Hedge valuation reserve and exchange differences due to consolidation	-
Retained earnings	14,940
Net profit	7,977
Total Group shareholders' equity	**62,901**
	-
Minority share	3,315
Total shareholders’ equity	66,216
Long-term liabilities	
Long-term credits and loans	2,103
Provisions for deferred tax	658
Provisions for liabilities	0
Long-term trade and other liabilities	848
Other financial liabilities	4,669
	8,278
Short-term liabilities	
Bank loans	1,132
Provisions for liabilities	0
Income tax liabilities	463
Trade and other liabilities	82,879
Other financial liabilities	3,620
	88,094
	-
Liabilities related directly to fixed assets classified as held for sale	-
Total liabilities	**162,589**

Total income statement

	For the period 01/01–31/12/2011
Continued activity	
Sales revenue	279,042
Cost of sales (variable)	211,998
Cost of sales (fixed)	13,455
Gross profit (loss) on sales	**53,590**
Other operating revenue	1,843
Sales cost	434
Administrative expenses	37,821
Other operating expenses	1,517
Restructuring cost	-
Operating profit (loss)	**15,661**
Share in the financial result of undertakings valued using the equity method	-
Financial revenue	633
Financial expenses	5,464
	-
Profit (loss) before taxation	**10,830**
Income tax	2,188
Net profit (loss) on continued activity	**8,642**
	-
Discontinued activity	-
Net profit (loss) on discontinued activity	-
	0.0
Net profit (loss)	**8,642**
Net profit (loss) for the Group's shareholders	7,977
Net profit (loss) for minority shareholders	665

Financial instruments and hedges

Financial instruments are recognized and measured at fair value on the balance sheet date. Methods for recognizing profit and loss related to these instruments depend on whether the instrument in question was designated as a hedge and on 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 production in progress.

Materials and goods are initially measured at acquisition price. On the balance sheet date, materials and goods are valued according to the prudence principle, i.e. these categories are valued at the purchase price or realizable sales price, depending on which of them is lower.

Finished products and production in progress are initially valued at actual cost of production. On the balance sheet date, finished products and production in progress 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 for 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 expenditure is based on detailed identification for items allocated for specific projects or, according to 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. On the balance sheet date, they are valued according to the prudence principle. Prepayments are absorbed on the time basis or on the basis of the amount of service, depending on their nature. Where expenses are settled more than 12 months after the balance sheet date, part of the assets are recognized as “other fixed assets” in the balance sheet.

Cash and cash equivalents

Cash includes cash in hand and cash in bank accounts, including cash held in bank deposits. Cash equivalents include short-term, highly liquid investments, easily convertible into known amounts of cash and subject to insignificant risks of changes in value, including interest due on bank deposits. Cash and cash equivalents are valued at face value. Cash and cash equivalents in foreign currencies are recognized in accounting records and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section. For the purposes of cash flow statements, 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 depreciated cost using the effective interest rate method. Authorized overdrafts for which no repayment schedules have been set are an exception. For such credits, 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 redemption and the direct costs of credit contracting, are recognized in the profit and loss account using the effective interest rate method, and increase the book value of the instrument, accounting for 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. On the balance sheet date, liabilities are measured at depreciated cost and recognized in the balance sheet as long- and short-term liabilities.

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

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

Provisions

Provisions are established where the Company is under a legal or constructive obligation resulting from past events and where it is probable that the settlement of this obligation will necessitate an outflow of resources constituting economic benefits and where the amount of this obligation can be reliably estimated, but the amount of this obligation or the date when it becomes due are not certain. Where the effect of the value of money in time is material, the amount of provision is determined through the discounting of forecast future cash flows to present value, with the use of discount rate reflecting the current market evaluations of the value of money in time 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 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 the reimbursement will be received.

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

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. Costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and costs of pension benefits (retirement severance pay) payable to employees pursuant to the labour law 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 intangible 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 the given date, resulting from the nature of operations – for foreign exchange sale or purchase transactions and receivables or liabilities payments;
- the average exchange rate determined for the given currency by the National Bank of Poland (NBP) as at the date in question, unless an another exchange rate is 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 given currency published by the National Bank of Poland. 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 basic (operating) activity 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 NBP rate as at 31 December 2011	Average NBP rate as at 31 December 2010
EUR	4.4168	3.9603
USD	3.4174	2.9641
JPY 100	4.4082	3.6440

Pursuant to IAS 1 *Presentation of Financial Statement*s § 19, the Issuer's Management Board decided that the compliance with the requirement of IAS 21 *The Effects of Changes in Foreign Exchange Rates* in relation to the valuation of liabilities resulting from foreign currency 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 its modified version, as discussed below.

Pursuant to IAS 21 § 28, exchange rate differences in 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 the 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 — those 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 maturity date of subsequent lease instalments falls. Costs or gain on revaluation of lease liabilities shall be actually realized (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 part concerning actually paid instalments. The remaining amount of exchange rate differences is recognized in accruals which are recognized in financial costs for individual months 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 provisions of the agreement transfer substantially all potential benefits and risks resulting from the use of subject matter of the lease to the lessee. All other types of leases are classified as operating leases.

Assets held under finance lease agreement are treated as the Company's assets and are valued at fair value on acquisition, not higher, however, than the current value of minimum lease payments. The liability thus arising to the lessor is presented in the balance sheet under other financial liabilities. Lease payments are apportioned between the interest and the principal, so that the interest rate on outstanding liability remains fixed. 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. Received and outstanding benefits as an incentive to conclude an operating lease agreement are recognized in the profit and loss account over the lease term on a straight-line basis.

Impairment

At each balance sheet date, the Group reviews the balance sheet value of fixed assets to look for any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount is estimated in order to determine the potential write-down. Where an asset does not generate cash flows that are largely independent of 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 reduced by sales costs 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 time value of cash and risks specific to the given asset (if any).

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

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

Where impairment is reversed, net value of an asset is increased to match the newly estimated recoverable amount, which cannot be higher, however, than net value of this asset which 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.

Revenue

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

Revenue from sales with deferred payment is recognized after discount deduction.

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

Revenue from the provision of services is recognized based on the stage of completion. Where results of a given service cannot be reliably determined, the revenue it produces is only recognized to the extent of incurred expenses which the Group expects to recover. Where the price of sales of a given service 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 relating to the main amount due, 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 basically ready for intended use or sale.

Revenue from investments earned as a result of short-term investments of acquired external funds directly allocated to the financing of acquisition or production of assets reduces 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 aforementioned 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 obtaining a reasonable assurance that the Group meets the necessary conditions and will receive such subsidies.

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

Subsidies conditioned by the purchase or manufacture of fixed assets by the Company are recognized in the financial situation statements as 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 free of charge receipt of fixed assets.

Costs of employee benefits

Short-term employee benefits, including contributions to particular pension schemes, are recognized in the period in which the Group receives the relevant services from an employee and, in the case of profit-sharing and bonus payments, provided the following conditions have been met:

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

In the case of benefits for compensated absences, employee benefits are recognized within the scope of accumulating compensated absences upon the completion of work that increases entitlement to future compensated absences. Non-accumulating compensated absences are recognized when they occur.

Liabilities for employee benefits are recognized as an expense, unless they constitute the cost of assets production.

Incentive Scheme

On 5 June 2008, the ATM S.A. Ordinary General Meeting of Shareholders approved the Incentive Scheme Regulations for employees of the ATM S.A. Capital Group. The scheme was addressed to the Company's employees and partners, as well as members of the Management Boards and other employees and partners of the ATM S.A. Capital Group. As part of this scheme, in 2008–2010, the Management Board granted share purchase options to selected individuals. Based on these options, the authorized persons will be able to purchase the 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 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 tax rates applicable during the fiscal year in question.

Deferred tax is calculated using the balance method as tax to be paid or returned in the future based on 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 are not recognized where temporary difference arises from the initial recognition of goodwill or from the initial recognition of another asset or liability in a transaction that does not affect either the taxable or the accounting profit.

The value of deferred tax assets is subject to analysis on every balance sheet date, and 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 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. In 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

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Revenue from sales of products	271,533	256,532
Revenue from sales of goods and materials	173,050	145,247
Total sales revenue	**444,582**	**401,779**
including:		
- to related undertakings	1,016	1,043

Values resulting from recharging of integration activities between ATM SA and ATM SI (amounting to PLN 90,647,000) were not included in the revenue.

Main products

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

- telecommunications and value added services, including Internet access for telecommunications providers and corporate customers, 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 the Group's activity.

Operating segments

The Group distinguishes three operating segments in its activity.

The first segment, characterized by stable increases in revenue and earnings in subsequent reporting periods, is the activity within telecommunications area, encompassing the activity of ATM S.A.

Another segment, responsible for the largest proportion of revenue, is the ICT systems integration. It comprises the activity carried out in 2011 by: ATM Systemy Informatyczne S.A., ATM Software Sp. z o.o., Impulsy Sp. z o.o. and Sputnik Software Sp. z o.o.

The third distinguished segment comprises mobile payment services (payments made with the use of mobile phone), comprising the activity of subsidiaries: mPay S.A. and mPay International Sp. z o.o. In this segment, losses incurred in 2010 were considerably reduced, but it still brings no profits.

Basic financial parameters of the distinguished segments are presented below:

For the period 01/01–31/12/2011	Telecommunications	ICT systems integration	Mobile payments	Consolidation eliminations	Total
Fixed assets	338,747	50,908	9,559	(29,481)	369,733
Sales revenue	175,198	279,613	2,568	(12,797)	444,582
Margin on sales*	**68,997**	**66,225**	**1,717**	**40**	**136,978**
Operating profit (loss)	**17,273**	**16,077**	**(1,798)**	**62**	**31,615**
EBITDA	37,084	20,990	(635)	62	57,501

For the period 01/01–31/12/2010	Telecommunications	ICT systems integration	Mobile payments	Other	Total
Fixed assets	307,453	49,927	11,259	(29,629)	339,010
Sales revenue	116,832	312,283	1,963	(28,083)	401,779
Margin on sales*	**62,270**	**67,228**	**1,046**	**-**	**130,544**
Operating profit (loss)	**15,872**	**18,849**	**(1,688)**	**118**	**33,150**
EBITDA	33,534	22,914	(602)	118	55,964

**) Revenue on sales reduced by variable selling costs*

Geographical activity segments as at 31 December 2011 and 2010

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Domestic sales	438,466	395,040
Export	6,116	6,739
Total sales revenue	**444,582**	**401,779**

NOTE 4.
OPERATING COSTS

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Cost of sales (variable)	307,603	271,235
Cost of sales (fixed)	27,399	30,968
Sales cost	434	251
Administrative expenses	76,673	64,842
Total costs related to basic activity	**412,109**	**367,296**
including:		
Amortization and depreciation	25,886	22,716
Adjustment by received subsidies to fixed assets	(305)	(393)
Consumption of materials and power	24,559	59,897
External services	192,077	137,298
Taxes and fees	2,358	2,297
Payroll	38,571	37,569
Employee benefits	8,520	7,764
Other	3,710	1,634
Value of goods and materials sold	116,743	99,350
	412,119	**368,132**
Change in products resources	(9)	(836)
	412,110	**367,296**

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 given write-down relates are sold or the circumstances due to which the write-down was made no longer exist. Costs 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 expenses

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Salaries under employment contracts	38,549	38,225
Salaries under civil law contracts	1,458	564
Costs of social insurance	5,716	5,312
Costs of retirement benefits	22	0
Other benefits after the employment period	0	-
Contributions to the Company Social Benefits Fund (ZFŚS)	118	70
Other employee benefits	1,228	1,162
	47,091	45,333

Payroll

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

Employee benefits

Social insurance costs for the group entities include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (Fundusz Gwarantowanych Świadczeń) and Labour Fund (Fundusz Pracy). In 2010 and 2011, those contributions amounted to 17.99% and 17.77% of the contribution calculation base determined pursuant to applicable provisions of law.

Pension benefit costs include retirement severance paid to employees pursuant to the labour law. 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 intangible nature of these provisions, based on materiality principle included in the International Financial Reporting Standards Conceptual Framework, provisions for long-term benefits at the end of the employment period have not been recognized in the financial statements.

Some of the Group's units situated in Poland are obliged to establish the Company Social Benefit Fund (ZFŚS). Allowances to this fund are recognized as the Group's operating expenses and cash allocated for this fund has to be blocked in a separate bank account. In the financial statements, the fund assets and liabilities are presented in net amount. Due to the nature of the fund operations, its assets and liabilities are equal.

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

Costs of research and development

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Costs included directly in costs related to basic activity	-	-
Depreciation costs related to deferred costs of development works	3,610	2,968
	3,610	**2,968**

Costs of development works are recognized as intangible assets upon fulfilling the conditions and principles described in Note 2. Depreciation of capitalized costs of development works is included in general and administrative costs. Costs incurred during the research works stage and expenditure that does not meet the conditions required in order to be recognized as assets are directly included in the Group's operating expenses such as general and administrative costs.

NOTE 5.
OTHER OPERATING REVENUE

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Profit from sales of fixed assets	30	38
Reversal of receivables revaluation write-downs	12	80
Reversal of inventories revaluation write-downs	-	-
Compensation obtained	388	531
Write-downs on overdue liabilities	3	34
Reversal of provisions for expenses	460	111
Subsidies received	609	489
Other	719	298
	2,221	**1,581**

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

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

NOTE 6.
OTHER OPERATING EXPENSES

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Loss arising from sales and liquidation of fixed assets	137	154
Receivables revaluation write-downs	376	
Inventories revaluation write-downs	-	2
Impairment write-downs	23	-
Donations given	22	86
Litigation expenses	-	65
Post-accident repair expenses	42	58
Incentive Scheme expenses	1,033	1,688
Other	1,444	747
	3,077	**2,914**

Expenses and losses related to the Company's activity, but not directly related to basic types of operating expenses, are classified as other operating expenses. This category includes losses on sales of tangible fixed assets, donations to other entities (both in cash and in kind), including public benefit entities, litigation expenses, and expenses related to receivables revaluation write-downs and impairment write-downs.

NOTE 7.
FINANCIAL REVENUE

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Dividends received	-	-
Interest on bank deposits	204	74
Interest on deferred and overdue payments	232	424
Interest on securities	-	-
Interest on loans	7	124
Profits on exchange differences	29	130
Profit on investment disposal	5,519	8,386
Other	25	14
	6,016	**9,152**

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. Financial activity also includes foreign exchange profits.

NOTE 8.
FINANCIAL EXPENSES

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Interest on bank loans	1,410	1,180
Interest on loans	40	148
Interest on instalment purchases	2,556	1,599
Interest on overdue payments	82	10
Losses on exchange differences	5,958	2,999
Finance lease costs	2,512	2,011
Valuation of financial instruments	510	7,910
Bank commissions	797	683
Other	646	852
	14,511	**17,393**

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

Terms and conditions pursuant to which the Company uses external sources of funding (bank loans) have been presented in Note 22.

NOTE 9.
INCOME TAX

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Statutory tax rate	19%	19%
Current income tax		
Current tax expense	3,887	4,939
Adjustments concerning previous years	-	-
	3,887	**4,939**
Deferred income tax		
Related to the occurrence and reversal of temporary differences	2,599	(395)
Related to change in the tax rate	-	-
	2,599	**(395)**
Tax expense reported in the profit and loss account	**6,486**	**4,544**

Current tax expense is calculated on the basis of applicable tax regulations. 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 tax rates applicable during 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 2011, 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. Tax and balance sheet year correspond to the calendar year.

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

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Gross result before taxation	22,806	25,941
Effective tax rate	19%	19%
Tax at the statutory rate	4,333	4,929
Tax impact of income not recognized as income according to tax regulations	(858)	(254)
Tax impact of income not recognized as income according to accounting regulations	863	50
Tax impact of expenses not recognized as expenses according to tax regulations	5,097	2,390
Tax impact of expenses not recognized as expenses according to accounting regulations	(2,678)	(2,753)
Tax impact of tax losses deducted during the period	(271)	272
Tax impact of tax losses incurred during the period	-	(90)
Tax at the effective rate	**6,486**	**4,544**
Effective tax rate	28%	18%

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. The deferred income tax as at 31 December 2011 and 31 December 2010 results from items shown in the table below.

	Financial situation statement		Total income statement	
	End of the period 31/12/2011	End of the period 31/12/2010	For the period 01/01–31/12/2011	End of the period 31/12/2010
Deferred tax provision				
Difference between the balance sheet and tax value of tangible fixed assets	3,535	3,483	52	111
Recognized service revenue	639	114	525	(99)
Receivable compensation	-	-	-	-
Accrued interest	200	47	153	22
Valuation of financial instruments	33	97	(64)	91
Positive exchange differences	-	144	(144)	131
Prepaid expense	76	59	17	
Provisions for deferred tax acquired as a result of business entities merger	-	-	-	-
Gross deferred tax provision	**4,483**	**3,944**	**539**	**256**
Deferred tax assets				
Valuation of financial instruments	1	1	(0)	1
Difference between the balance sheet and tax value of tangible fixed assets	17	2	(15)	(1)
Deferred payment revenue	60	56	(4)	101
Revenue settled over time	74	74	0	(71)
Inventory write-downs	673	383	(290)	(46)
Write-downs of receivables	149	87	(62)	17
Written-off financial assets under litigation	-	-	-	80
Provisions for service expenses	1,953	1,886	(67)	(1,168)
Provisions for employee benefits	16	16	1	(15)
Negative exchange differences	11	103	92	(85)
Liabilities to the Social Insurance Institution (ZUS)	1	1	(0)	-
Liabilities to employees	-	-	-	1
Prepaid expense	-		-	-
Subsidies received	18	9	(9)	41
Recognized interest	-	-	-	2
Tax loss for settlement	286	2,700	2,416	500
Deferred tax assets acquired through business combination	2	-	(2)	(7)
Gross deferred tax assets	**3,261**	**5,318**	**2,060**	**(651)**
Net tax assets (tax provision)	**(1,224)**	**1,374**		
Deferred income tax charge on profit			**2,599**	**(395)**

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 shareholders of the Company by 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.

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Weighted average number of shares	36,343,344	36,343,344
Net profit for 12 months (in PLN thousand)	16,434	21,397
Net profit per share (in PLN)	0.45	0.59

Dividends paid and declared

In the Current Report No 25/2006 of 8 June 2006, the ATM S.A. Management Board announced a dividend policy, according to which it annually recommended the dividend payment at the Company's General Meeting, in the amount dependent on quotation of shares in the last month of a given year, upon the application of EURIBOR rate increased by 0.5%.

In connection with ATM's division into two listed companies — ATM and ATM Systemy Informatyczne — this dividend policy was cancelled (Current Report No 25/2012). ATM's resignation from applying the above policy results from ATM's investment plans associated with intensive development of data centers by 2015, which could result in the payment of dividends during this period to the detriment of the Issuer and its shareholders. The possibility of paying regular dividends by ATM Systemy Informatyczne (the company continuing IT activity after the division) still remains an open question. A policy adequate to the company's objectives and capabilities in this regard will be announced by the Management Board of ATM Systemy Informatyczne S.A. through the current report, upon obtaining the status of a listed company by ATM SI.

At the same time, the Management Board of ATM informs that it will recommend to the ATM S.A. Ordinary General Meeting transferring the company's full profit for 2011 to reserve capital.

NOTE 11.
GOODWILL

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

	End of the period 31/12/2011	End of the period 31/12/2010
mPay Group	131	131
KLK S.A.	12,789	12,789
Sputnik Software Sp. z o.o.	3,078	3,078
Impulsy Sp. z o.o.	2,581	2,582
	18,579	**18,580**

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

As at 31 December 2011, 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 conducted procedures.

NOTE 12.
INTANGIBLE ASSETS

	For the period 01/01–31/12/2011	For the period 01/01–31/12/2010
Costs of completed development works	10,756	12,936
Concessions and licenses	12,852	11,768
Perpetual usufruct rights	33,947	34,393
Other intangible assets	3,348	4,676
	60,903	**63,773**
including:		
Intangible assets used under finance lease agreements	273	197

Development works are recognized as assets and depreciated based on the principles described in Note 2.

As at 31 December 2011, development works include the following projects developed in-house:

PC TV Platform under the ATM InternetTV brand

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. Signal from developed platform is to be received by a personal computer (PC). 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. (currently ATM Software Sp. z o.o.), which is fully owned by ATM S.A., started its business activity. It took over the team responsible for the ATM InternetTV project and continues to develop this technology.

In 2011, the Company did not incur expenditure on development works concerning this platform.

POS TV Platform under the ATM IndoorTV brand

From August 2005 to May 2006, the Company developed an in-house project called the SSM (Spread Screens Manager). Under this project, the 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 Company receives video content and other information from the customer and agrees the broadcasting scenarios. The content is distributed to terminals via 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 2011, the Company did not incur expenditure on development works 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. Functionality of the product is gradually extended depending on the current customers' needs. The product addresses Business Continuity Planning (BCP) by supporting threat analysis and the development, updating and implementation of contingency plans. It meets the demands of the banking sector by assisting banks in satisfying the requirements of banking supervision recommendations related to the so-called New Capital Accord (Basel II).

In 2011, the Company did not incur expenditure on development works concerning this platform.

Remote archive

From June 2007 onwards, Polish law allows 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 using state-of-the-art security technologies and systems contributed to the establishment of a modern remote medical archive and marketing this solution in the Polish medical market.

The remote medical archive enables 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 is secure, electronic storage is cheaper and virtually instant access is possible. The unique advantage of this system is the possibility of remote authorized access to examination data 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 2011, the Company did not incur expenditure on development works 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. The 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 convenient management of the customer's phone account via website and many additional functions such as conference calls, call forwarding, IVR, etc. Solution offered by the Issuer enables customers to reduce ICT service expenses, particularly those related to phone calls, and ensures seamless transition from traditional phone services towards an entirely IP-based network.

In 2011, the Company did not incur expenditure on development works 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. (Era and Heyah mobile networks operator), Agora SA, PLL LOT SA, Netia SA, Telewizja Polska SA and P4 Sp. z o.o. (Play mobile network operator). Vast majority of system users upgrade it regularly, including subsequent organization processes in its scope. In 2011, the Company did not incur expenditure on development works 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 handling various types of payment acceptors, methods for detecting fraud attempts and protecting against them, and the user interface elements were designed.

	End of the period 31/12/2011	End of the period 31/12/2010
mPay platform	3,872	3,750
	3,872	**3,750**

Costs of the aforementioned projects were tested for impairment as at 31 December 2011. No impairment concerning these expenditures was identified as per the conducted procedures.

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

As at 31 December 2011, there were no impairment write-downs concerning intangibles.

Intangible assets whose legal ownership is subject to restrictions or which are covered by commitments did not occur.

Contractual obligations for the acquisition of intangible assets do not occur.

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 2011

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at 1 January 2011	**22,970**	**18,318**	**35,747**	**8,248**	**85,283**
Increases:					
- acquisition	-	1,971	-	9	1,980
- finance lease	-	437	-	-	437
- internal generation	151	-	-	669	820
- acquired as a result of business entities merger	-		-	-	-
- other (including finance lease and adjustments)	1,279	927	-	-	2,206
Reduction:	-	-	-	-	-
	-	31	-	-	31
- sales	-	581	-	-	581
- liquidation	-	334	-	3	337
- relocations	-	-	-	-	-
As at 31 December 2011	**24,400**	**20,707**	**35,747**	**8,923**	**89,777**
					89,777
Redemption					
As at 1 January 2011	**10,034**	**6,550**	**1,354**	**3,572**	**21,510**
Increases:			-		
- depreciation	3,610	1,604	446	2,006	7,666
- impairment	-	-	-	-	-
- acquired as a result of business entities merger	-		-	-	-
					-
Reduction:					-
- sales and liquidation	-	299	-	3	302
As at 31 December 2011	**13,644**	**7,855**	**1,800**	**5,575**	**28,874**
Net as at 31 December 2011	**10,756**	**12,852**	**33,947**	**3,348**	**60,903**

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

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
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
- internal generation	1,633	-	-	-	1,633
- acquired as a result of business entities merger	-	-	-	-	-
- other (including finance lease)	-	2,345	-	-	2,345
					-
Reduction:	-	-	-	-	-
- 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**
Redemption					
As at 1 January 2010	**7,066**	**5,860**	**23**	**2,215**	**15,164**
Increases:			8		
- depreciation	2,968	1,601	1,331	1,364	7,265
- impairment	-	-	-	-	-
- acquired as a result of business entities merger	-	-	-	-	-
					-
Reduction:					-
- sales 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**

NOTE 13.
FIXED ASSETS

	End of the period 31/12/2011	End of the period 31/12/2010
Fixed assets		
Land	626	341
Buildings and structures	132,559	102,867
Machinery and equipment	57,491	46,504
Vehicles	5,660	5,807
Other	120	225
Fixed assets under construction	21,657	25,909
Advances for fixed assets under construction	54	-
	218,167	**181,653**
including:		
Fixed assets used under finance lease agreements	46,459	37,975

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 2011, there were no impairment write-downs concerning fixed assets.

Tangible fixed assets whose legal ownership is subject to restrictions or which are covered by commitments did not occur.

Contractual obligations for the acquisition of tangible fixed assets do not occur.

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

Movements in the amount of fixed assets from 1 January to 31 December 2011

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2011	**341**	**118,537**	**77,436**	**10,401**	**410**	**207,125**
Increases:						
Increases:	-	-	-	-	-	**-**
- acquisition	-	36,501	26,629	160	9	**63,299**
- acquisition as a result of business entities merger		-	-	-	-	**-**
- other	321	23	20,064	796	134	**21,338**
Reduction:	-	-	-	-	-	**-**
- sales	-	-	-	-	-	**-**
- liquidation	-	957	6,492	323	-	**7,772**
- finance lease expiry	-	-	1,454	1	128	**1,583**
- donations	-	-	17,212	-	46	**17,258**
- other	-	-	1,050	-	40	**1,090**
As at 31 December 2011	**662**	**154,104**	**97,921**	**11,033**	**339**	**264,059**
Redemption						
As at 1 January 2011	**-**	**15,670**	**30,932**	**4,594**	**185**	**51,381**
Increases:						
- depreciation	8	6,034	11,285	1,257	37	18,621
- impairment	-	-	-	-	-	-
- acquisition as a result of business entities merger	-	-	-	-	-	-
- other	28	-	217	-	171	416
Reduction:	-	-	-	-	-	-
- sales and liquidation	-	159	1,732	250	128	2,269
- donations	-	-	-	-	-	-
- other	-	-	272	228	46	546
As at 31 December 2011	**36**	**21,545**	**40,430**	**5,373**	**219**	**67,603**
	-	**-**	**-**	**-**	**-**	**-**
Net as at 31 December 2011	**626**	**132,559**	**57,491**	**5,660**	**120**	**196,456**

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

	Land	Buildings and structures	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 entities merger	**-**	**-**	**-**	**-**	**-**	**-**
- other (including finance lease)	**-**	**10**	**16,402**	**1,480**	**12**	**17,904**
	-	**-**	**-**	**-**	**-**	**-**
Reduction:	**-**	**-**	**-**	**-**		
- 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**
Redemption						
As at 1 January 2010	**-**	**10,874**	**23,781**	**3,708**	**174**	**38,537**
Increases:	-					
- depreciation	**-**	4,959	9,817	1,477	11	**16,264**
- impairment	**-**	-	- 4	-	-	**- 4**
- acquisition as a result of business entities merger	**-**	-	-	-	-	**-**
- other	**-**		3	-	-	**3**
Reduction:	**-**		555	85	-	**640**
- sales 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**

NOTE 14.
OTHER FINANCIAL ASSETS

	End of the period 31/12/2011	End of the period 31/12/2010
Shares in other undertakings	80	80
(-) impairment write-downs	-	
	80	80

NOTE 15.
OTHER FIXED ASSETS

	End of the period 31/12/2011	End of the period 31/12/2010
Guarantee deposits	164	70
Trade receivables	307	1,903
Prepaid maintenance costs	233	186
Unearned financial income from instalment sales	-	-
Incentive Scheme expenses	62	151
Other	42	
	808	**2,310**
including payable within:		
from 1 to 2 years	681	1,920
from 3 to 5 years	65	345
over 5 years	99	45

Guarantee deposits include amounts retained by customers in relation to services provided 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.

Receivables recorded as at 31 December 2011 and 31 December 2010 have repayment dates until 2013. They are the result of deferred payment sales whose value was measured at fair value and is equivalent to the present value of the payment. 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 nor instalment sales 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

	End of the period 31/12/2011	End of the period 31/12/2010
Materials	3,506	4,804
Production in progress	6,408	637
Finished products	-	-
Goods	6,002	21,886
Revaluation write-offs	(676)	(1,330)
	15,240	**25,997**

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

	End of the period 31/12/2011	End of the period 31/12/2010
Trade receivables from related undertakings	158	265
Trade receivables from other undertakings	87,036	117,503
Tax receivables	1,618	3,289
Advances transferred	17	69
Other receivables	274	910
Receivables under litigation	248	177
Unearned financial income from instalment sales	-	(205)
Revaluation write-offs	(670)	(487)
	88,681	**121,521**

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 establishes 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

	End of the period 31/12/2011	End of the period 31/12/2010
current, of which:	80,364	118,282
from related entities	158	264
from other entities	80,206	118,017
overdue, of which:	6,830	3,240
from related entities	0	0
under 180		
180–360		
over 360		
from other entities	6,830	3,240
under 180	5,998	2,707
180–360	596	190
over 360	236	343
	87,194	**121,521**

Analysis of changes in write-downs on receivables

	End of the period 31/12/2011	End of the period 31/12/2010
Opening balance	**487**	**198**
Increases, including:	376	558
- Recognition	376	558
Decreases, including:	111	269
- Dissolution	62	169
- Utilization	49	100
Closing balance	**670**	**487**

Analysis of the ageing structure of receivables under litigation

	End of the period 31/12/2011	End of the period 31/12/2010
from other entities	248	176
under 360	102	10
over 360	60	22
over 720	86	155
	248	**177**

NOTE 18.
OTHER CURRENT ASSETS and OTHER FINANCIAL RECEIVABLES

	End of the period 31/12/2011	End of the period 31/12/2010
Services of subcontractors related to future revenue	3,351	2,955
Financial lease interest	-	-
Prepaid maintenance costs	1,294	1,721
Unrealized exchange differences on lease agreements	2,146	3,671
Prepaid subscriptions, rents, insurance, etc.	516	509
Other	936	1,092
	8,243	**9,948**

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 its 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 — 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 period only in the part concerning actually paid instalments. The remaining amount of exchange rate differences is recognized in accruals, which are recognized in financial costs for individual months of lease instalments repayment. Simultaneously, accruals shall be adjusted to exchange rate differences arising on lease liabilities (both gains and losses). This exemption from IAS 21 will be exercised by the Company until 2013, i.e. the expiry of last lease obligations 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.

NOTE 19.
CASH AND CASH EQUIVALENTS

	End of the period 31/12/2011	End of the period 31/12/2010
Cash in hand	252	225
Cash in bank	51,223	7,261
Short-term deposits	5,090	32,783
	56,566	**40,269**

Cash in bank bears interest at floating interest rates which depend on the interest rate of 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

	End of the period 31/12/2011	End of the period 31/12/2010
Registered equity	34,526	34,526
Unsubscribed treasury shares under management option scheme	-	-
Hyperinflationary adjustment	197	197
	34,723	**34,723**

Registered share capital includes:

Series	Number of shares	Face value	Registration date	Dividend registration rights	Method of coverage	Type of shares
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
Total	36,343,344	34,526,176.80				

Face value per share (PLN): 0.95

**) 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 the ATM S.A. Capital Group employees was approved for the years 2008–2010. This resolution also allowed 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 covers the Company employees and partners, members of Management Boards and other ATM S.A. Capital Group employees and partners.

Incentive Scheme participants gained 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 has been prepared by the ATM S.A. Management Board and approved by the Supervisory Board.

As at 31 December 2011, the Company had no treasury shares.

In 2008–2011, the following number of options was granted 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,
- in 2011: 23,260 share purchase options.

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, i.a., the following provisions:

- purchased shares shall be transferred to the investment account of the authorized person, held by a 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 to sell at face value, shares blocked on investment account of the authorized person, 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 Group's companies is terminated or expires for any reason;
2) the participant seriously infringes its contractual obligations agreed upon in an employment contract or other civil law agreement pursuant to which the participant provides services or works for one of the Group's companies;
3) the participant runs competitive activity with regard to the Company or one of the Group's companies without a written consent of the ATM S.A. Management Board;
4) a legally valid prohibition to perform works in the capital companies' bodies or an interdiction of business activity is imposed on the participant;
5) the participant is sentenced for any of the offences mentioned in Articles 585–592 and 594 of the Code of Commercial Companies, offences listed in part X of the law on financial instruments trading of 29 July 2005 (Journal of Laws 2005, No 183, item 1538), economic offences listed in Articles 296–306 of the Penal Code or any other offence whose committing was directly linked to the performance of obligations as a member of the management board of a capital company.

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

- PLN 7.13 as at the date of granting the options in 2008;
- PLN 3.96 as at the date of granting the options in 2009;
- PLN 7.70 as at the date of granting the options in 2010.

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

Parameter	Value			Commentary
	Tranche 2008	Tranche 2009	Tranche 2010	
Granting date	5 June 2008	11 May 2009	12 August 2010	For the 2008 Tranche, the granting date is the date of approval of the Rules of the Scheme.
Share price as at the granting date	PLN 8.20	PLN 4.90	PLN 8.62	Based on WSE listings.
Risk-free interest rate	The risk-free interest rate 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 dividends for 2008.
Execution price	PLN 0.95	PLN 0.95	PLN 0.95	Following the Scheme
Number of options	439,800	306,100	286,820	
Market conditions	N/A			
Non-market conditions	Employment			
Employees' leave rate	0%	0%	0%	
Maturity date				
- Part 1	3 September 2008	13 August 2009	10 September 2010	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, the latest date of share purchase (10 September 2010) and the dates of unblocking the shares (until 2014) have been specified.
- Part 2			10 September 2011	
- Part 3			10 September 2012	
- Part 4			10 September 2013	
- Part 5			10 September 2014	

The Scheme value was recognized in:

- current period result in the part for ATM S.A. employees for 2011 (PLN 764,000);
- investments in subsidiaries in the part for employees of the subsidiaries (PLN 28,000 ATM Software Sp. z o.o., PLN 46,000 inONE S.A., PLN 40,000 ATM Systemy Informatyczne S.A.).

Ownership structure

The ownership structure of ATM S.A. share capital as at 31 December 2011 was as follows:

Shareholder	Number of shares	%	Number of shares	%
	31/12/2011		31/12/2010	
Tadeusz Czichon	5,956,887	16.39%	5,956,887	16.39%
Polsat OFE*	3,579,097	9.85%	3,346,343	9.21%
ING OFE*	3,443,794	9.48%	3,517,923	9.68%
Roman Szwed	3,287,993	9.05%	3,287,993	9.05%
ING TFI**	no data	no data	1,868,360	5.14%
Piotr Puteczny***	1,861,263	5.12%	1,817,500	5.00%
Other shareholders	18,214,310	50.12%	16,548,338	45.53%
	36,343,344	**100%**	**36,343,344**	**100%**

**) data concerning POLSAT OFE and ING OFE refers to the number of shares owned by these shareholders as at 31 December 2011 based on the "Annual asset structure".*

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

****) jointly with his spouse*

Reserve capital

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

Retained earnings

	End of the period 31/12/2011	End of the period 31/12/2010
Retained earnings from previous years, of which:	25,267	14,986
Statutory supplementary capital	12,568	12,125
Profit distribution (over the statutory amount)	12,271	2,433
IFRS implementation profits (losses)	428	428
Management option scheme profits (losses)		-
Capital adjustment as a result of the merger		
Current period profit (loss)	16,322	20,438
	41,589	**35,424**

Retained earnings from the previous years 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, supplementary capital should be established in order to cover losses. At least 8% of 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

	End of the period 31/12/2011	End of the period 31/12/2010
mPay Group (formerly ATM Mobile)	4,004	3,807
Sputnik Software Sp. z o.o.	2,821	2,313
inONE S.A. (formerly ATM Services Sp. z o.o.)		1,354
Impulsy Sp. z o.o.	494	337
	7,319	**7,811**

NOTE 22.
BANK LOANS

	End of the period 31/12/2011	End of the period 31/12/2010
Bank loans	43,441	15,735
Other loans	-	-
	43,441	**15,735**
including:		
Long-term portion	*2,103*	*1,889*
Bank loans	2,103	**1,889**
Loans from shareholders	-	**-**
Short-term portion	*41,338*	*13,846*
Bank loans	41,338	13,846
Loans from shareholders	-	-
Credits and loans due:		
up to 1 year	41,338	13,846
from 1 to 2 years	2,103	731
from 3 to 5 years	-	1,158
over 5 years	-	-
	43,441	**15,735**

Average loan interest rates

	End of the period 31/12/2011	End of the period 31/12/2010
Interest rate on loans contracted by the Group's undertakings:		
Bank overdrafts	5.71%	5.81%
Bank loans in PLN	6.67%	7.12%
Bank loans in EUR		

Detailed information on debt related to these loans are presented in tables below.

Specification of liabilities arising from bank loans as at 31 December 2011

	Base loan value			Short-term portion		Long-term portion				
Lender	Loan amount in PLN thousand	Loan amount in other currency	Currency	Loan amount in PLN	Loan amount in other currency	Loan amount in PLN	Loan amount in other currency	Interest rate	Due date	Collateral
Fortis Bank Polska SA (authorized overdraft)	15,000	-	-	7,020	-	-	-	WIBOR 1M plus bank margin	12 October 2012	- blank promissory note; - statement of submission for enforcement proceedings
BRE Bank SA (authorized overdraft)	10,000	-	-	9,134	-	-	-	WIBOR ON plus bank margin	30 May 2012	- blank promissory note with promissory note declaration
Bank Pocztowy S.A. (authorized overdraft)	15,000	-	-	15,000	-	-	-	WIBOR 1M plus bank margin	11 September 2012	- blank promissory note with promissory note declaration
Bank Millennium S.A. (authorized overdraft)	5,000	-	-	-	-	-	-	WIBOR 1M plus bank margin	27 September 2012	- blank promissory note with promissory note declaration
Bank Zachodni WBK SA (authorized overdraft)	13,000	-	-	9,051	-	-	-	WIBOR 1M plus bank margin	31 March 2012	- blank promissory note with promissory note declaration
BRE Bank SA (authorized overdraft)	350	-	-	-	-	-	-	WIBOR ON plus bank margin	28 June 2012	- blank promissory note with promissory note declaration
BNP Paribas Polska SA (authorized overdraft)	10,000	-	-	31	-	-	-	WIBOR 1M plus bank margin	12 October 2012	- blank promissory note; - general assignment of existing and future trade receivables; - statement of submission to enforcement proceedings
BRE Bank SA (authorized overdraft)	15,000	-	-	17	-	-	-	WIBOR ON plus bank margin	30 May 2012	- total pre-arranged mortgage on the property to the amount of PLN 22,500,000; - blank promissory note with promissory note declaration.
BRE Bank SA (investment loan)	3,595	-	-	731	-	1,158	-	WIBOR 1M plus bank margin	25 July 2014	- ordinary mortgage in the amount of PLN 3,595,000 and capped mortgage of up to PLN 300,000; - blank promissory note; - assignment of insurance policy receivables
BRE Bank SA (investment loan)	6,000	-	-	353	-	945	-	WIBOR 1M plus bank margin	31 December 2020	- total pre-arranged mortgage on the property to the amount of PLN 9,000,000; - blank promissory note with promissory note declaration; - assignment of future receivables from tenants of the property.
	92,945	**0**	**0**	**41,337**	**0**	**2,103**	**0**			

NOTE 23.
PROVISIONS FOR LIABILITIES

As at 31 December 2011, the Group does not have any provisions for liabilities.

NOTE 24.
LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of the period 31/12/2011	End of the period 31/12/2010
Trade liabilities to related undertakings	25,956	29,849
Trade liabilities to other undertakings	37	-
Deferred payment sales interest	-	-
Prepaid unexecuted services and maintenance costs	7	7
Subsidies received for fixed asset financing	5,014	1,568
Other	54	12
	31,068	**31,436**
of which payable within:		
from 1 to 2 years	7,838	7,583
from 3 to 5 years	11,272	11,896
over 5 years	11,958	11,957

Subsidies received for fixed asset financing concern the extension and upgrade of telecommunications infrastructure and the colocation center in Warsaw.

NOTE 25.
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of the period 31/12/2011	End of the period 31/12/2010
Trade liabilities to related undertakings	3,509	3,255
Trade liabilities to other undertakings	101,561	140,529
Liabilities arising from taxes and social insurance	12,282	16,084
Received advances	-	321
Payroll liabilities	1,248	1,325
Other liabilities and accruals, including:	16,456	11,891
share purchase liabilities	-	-
settlements arising from bonuses	-	236
settlements arising from outstanding leaves	446	379
settlements related to uninvoiced expenses	7,054	7,755
subsidies	4,828	1,372
subsequent revenue	1,511	530
other liabilities	65	1,619
	135,056	**173,405**

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

In 2011 and 2010, the Group did not rely on a small group of suppliers. Only purchases from one supplier — Cisco Systems — exceeded a 10% threshold of overall purchases; its share of the Group's overall purchases in 2011 amounted to 26% (in 2010 it was 35%).

Considering the stable position of Cisco as a global leader in the IT technology market and the highly satisfactory development of cooperation, also supported by certification requirements, this reliance is not considered to pose a formal risk of suppliers concentration. As at 31 December 2011, liabilities to this supplier amounted to PLN 26,626,000.

NOTE 26.
OTHER FINANCIAL LIABILITIES

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

	End of the period 31/12/2011	End of the period 31/12/2010
Liabilities arising from dividend payouts	-	-
Liabilities arising from finance leases	42,714	37,106
Liabilities arising from financing of receivables	136	1,436
Forward contract liabilities	-	8
Other	912	-
	43,762	**38,549**
Value of liabilities arising from finance leases due within:		
- one year	15,944	16,390
- from 2 to 5 years	31,432	24,426
- over 5 years	-	-
	47,376	**40,816**
Future interest expenses (-)	(4,661)	(3,710)
	-	-
Present value of future liabilities	42,714	**37,106**
including:		
Amounts due within the next 12 months (included in short-term liabilities)	13,997	14,696
Amounts due after more than 12 months within:	28,717	22,410
- from 2 to 5 years	42,714	37,106
- over 5 years	-	-
number of lease agreements	185	197

Finance lease agreements concern machinery and equipment, means of transportation and software licenses constituting intangible assets. As at 31 December 2011, the Company was party to 185 agreements, under which it leased fixed assets with a total net value of PLN 46,459,000 as at that date.

As at 31 December 2010, the Issuer was party to 197 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 PLN. Conclusion of agreements denominated in foreign currencies was due to considerably lower interest rates and, as it appeared at that 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 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 a considerable increase in the amount of ATM S.A.'s lease agreement liabilities denominated in foreign currencies after conversion 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 would be considerably higher unless the situation in the foreign exchange market undergoes some changes. The fact that the market value of leased assets, which are imported parts of equipment, goes up 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, the 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 2011, the Company recognized PLN 2,729,032.14 in its financial costs due to foreign exchange rate differences on finance lease agreements.

As at 31 December 2011, the balance of accruals resulting from exchange rate differences on lease liabilities amounted to PLN 2,146,347.34. If the exchange rates of EUR and JPY remained 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
2012	1	397,264.24
	2	392,692.68
	3	389,921.06
	4	381,785.86
2013	1	305,143.07
	2	208,449.80
	3	71,090.65
	4	0.00
TOTAL		**2,146,347.34**

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

Adopting the partial exemption from IAS 21 as at 31 December 2011 resulted in an increase in the value of other current assets by the aforementioned amount of PLN 2,146,347.34, as a result of which the gross income in the years 2008–2011 was increased by the same amount, and after deferred tax (19% of gross profit) in the amount of PLN 407,805.99, the net profit was higher by PLN 1,738,541.34. This result includes the increase in net profit for the years 2008–2010 amounting to PLN 2,973,453 and the decrease in net profit for the current period amounting to PLN 1,234,911.66.

Analogically, as at 31 December 2010, adopting the aforementioned exemption resulted in an increase in the value of other current assets by the amount of PLN 3,670,930.05, as a result of which the gross income in the years 2008–2010 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 included 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.

To sum up, 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, higher by PLN 0.15 million in 2010 and higher by PLN 1.234 million in 2011.

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

NOTE 27.
OPERATING LEASES

Operating lease liabilities — the Group as a lessor

The Group as a lessor is not party to any material agreements. Lease agreements include mainly agreements concerning the lease of office space to other undertakings.

These are both definite and indefinite term agreements. Each 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 concluded agreements, the Group – insofar as it is the lessor with regard to operating lease – is not party to any irrevocable agreements.

Operating lease liabilities – the Group as a lessee

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

Due to the nature of the concluded agreement, 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 office buildings situated in Warsaw at ul. Grochowska 21a. Pursuant to the agreement concluded on 21 December 2005 and the annex to the agreement of 7 March 2006, ATM S.A. sold the 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. Total amount of payments during the term of the agreement will be EUR 9,872,000.

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

Pursuant to the agreement, after the expiry of the primary term of the lease agreement, the lessee or an entity 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, at a price equal to the sum of the portion of the instalments outstanding until the end of the lease period and the final value.

Expenses related to the minimum lease payments for property leases during individual periods were respectively: PLN 2,305,000 in 2011 and PLN 2,087,000 in 2010.

Minimum lease payments for property lease were as follows:

	End of the period 31/12/2011	End of the period 31/12/2010
up to 1 year	2,905	2,605
from 1 to 5 years	8,715	10,419
over 5 years	14,768	13,241
	26,388	**26,265**

CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

No contingent receivables occurred.

Contingent liabilities

	End of the period 31/12/2011	End of the period 31/12/2010
To related undertakings:	-	**-**
To other undertakings:	**71,745**	**71,306**
1. Bank guarantees received:		
- performance bonds and tender bonds	33,987	26,020
2. Mortgage security:		
- bank loan security	35,395	9,595
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing		-
- bank loan security		31,812
4. Pledges:		
- bank loan security	2,363	3,879
	71,745	**71,306**

In 2011, audit proceedings were carried out in the registered office of ATM S.A. concerning the reliability of declared tax bases, and the accuracy of calculation and payment of corporate income tax for 2008 and tax on goods and services for each month from January to December 2008, as a result of which, on 23 January 2012, the Tax Audit Office (Urząd Kontroli Skarbowej) issued a questionable and incorrect decision (in the opinion of the Company), stating that the Company has understated its corporate income tax liability by the amount of PLN 173,280 and questioning the Company's right to deduct the input tax in the amount of PLN 200,640.

The Company appealed against these decisions by submitting a complaint to the Tax Chamber, and is awaiting revocation and cancellation of the proceedings.

NOTE 28.
INFORMATION CONCERNING RELATED UNDERTAKINGS

Details of related undertakings

1. Undertakings related to the Company

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

- until November 2011: A.Chalimoniuk i Wspólnicy, ATM S.J. – related through Mr Tadeusz Czichon who was 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); currently this company is not active and was removed from the register,
- ATM PP Sp. z o.o. – related through Mr Tadeusz Czichon who is the President of the Management Board of this undertaking,
- ATP-Investments Sp. z o.o. – related through Mr Tadeusz Czichon who holds 50% of shares in this company, and at the same time is its proxy.

Sales to and purchases from related undertakings are executed at normal market 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 extended or received guarantees.

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,
- granted loans.

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:

Related undertaking	Year	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings
ATM PP Sp. z o.o.	2011	405	543	6	21,463
	2010	288	26,506	6	24,013
A. Chalimoniuk i Wspólnicy, ATM S.J.	2011	0	0	0	0
	2010	0	477	0	24
Tadeusz Czichon	2011	0	0	0	7,993
	2010	0	9,497	0	8,943
Linx Telecommunications B.V.	2011	611	119	152	9
	2010	755	500	111	113
ATP-Investments Sp. z o.o.	2011	0	173	0	0
Total	2011	1,016	835	158	29,465
	2010	288	36,653	6	33,102

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 Management Board of the parent undertaking perform management or shareholding functions.

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, is presented in the table below:

	End of the period 31/12/2011	End of the period 31/12/2010
Short-term employee benefits	4,111	3,433
Benefits after the employment period	-	-
Managerial options	-	-
Revenues from dissolution of employment	-	-
	4,111	**3,433**

The short-term employee benefits referred to above concern:

	End of the period 31/12/2011	End of the period 31/12/2010
Management Board	1,924	1,450
Supervisory Board	253	243
Directors and managers	1,934	1,740
	4,111	**3,433**

Apart from the aforementioned remuneration, directors and managers are covered by the Incentive Scheme (Note 20). 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 members of the Management Board include non-competition clauses which remain binding 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 Group 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.

2. Objectives of financial risk management

Principal financial instruments used by the Company include bank loans (Note 22), finance lease agreements (Note 26), and cash and deposits (Note 19). The main purposes of these instruments include raising funds for the 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 are 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 granted any loans (apart from subsidiary loans) nor was a party to financial guarantee contracts.

In the course of 2011 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. Material 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 assets, financial liability and capital instrument categories has been presented in Note 2 to the financial statements.

4. Categories and classes of financial instruments

Financial assets and liabilities divided into categories (as per IAS 39) are as follows:

	End of the period 31/12/2011	End of the period 31/12/2010
Financial assets		
Valued at fair value through profit and loss account	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	144,067	159,941
Financial assets available for sale	80	80
Financial liabilities		
Valued at fair value through profit and loss account	-	-
Derivatives in hedging relationships	-	-
Financial liabilities	187,889	194,193
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

	End of the period 31/12/2011	End of the period 31/12/2010
Receivables from related undertakings (Note 17)	158	265
Short-term receivables from other undertakings (Note 17)	87,036	117,503
Long-term receivables from other undertakings (Note 17)	307	1,903
Other financial receivables		
Cash and cash equivalents (Note 19)	56,566	40,269
Total	**144,067**	**159,941**

With regard to the financial liabilities category

	End of the period 31/12/2011	End of the period 31/12/2010
Liabilities arising from loans (Note 22)	43,441	15,735
Liabilities to related undertakings (Note 25)		
Short-term liabilities to other undertakings (Note 25)	101,561	140,529
Long-term liabilities to other undertakings (Note 24)	37	-
Liabilities arising from finance leases (Note 26)	42,714	36,494
Other financial liabilities (Note 26)	136	1,436
Total	**187,889**	**194,193**

5. Fair value of financial instruments

According to the Management Board's estimates, 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 applies a policy of concluding transactions exclusively with counterparties whose creditworthiness has been verified; when required, appropriate security is obtained in order to mitigate the risk of financial losses caused by a breach of contractual terms. The Company's exposure to risks 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 a cooperation is initiated, internal preliminary verification procedures are conducted. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to risks 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 2011, financial asset impairment write-downs amounted to PLN 670,000; at 31 December 2010, they amounted to PLN 487,000. These write-downs concern own receivables from other undertakings, of which PLN 248,000 are receivables currently under litigation, and PLN 422,000 are receivables likely to prove uncollectible according to the Company estimates.

As at 31 December 2011 and 31 December 2010, 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 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 sales 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 the "Accounting principles — Foreign Currency Transactions", pursuant to IAS 1 § 19, the Group 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 period 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 to exchange rate differences on lease liabilities (both gains and losses), arising in the future periods. This exemption from IAS 21 shall be applied by the Company until 2013, due to the expiry 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 value 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**	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**	**31/12/2011**	**31/12/2010**
Currency – EUR	3,342	324	1,222	2,880	586	1,616
Currency – USD	31,003	50,407	0	0	34	3,430
Currency – JPY	0	0	4,645	9,150	0	0
Currency – PLN	70,725	93,053	36,847	24,463	86,574	112,723
	0	0	0	0	0	0
Total	**105,070**	**143,784**	**42,714**	**36,493**	**87,194**	**117,769**

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 2011 would have been lower by PLN 3,373,000, of which PLN 276,000 would be due to financial assets and liabilities denominated in EUR and PLN 3,097,000 – 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 2011 would have been lower by PLN 3,959,000, of which PLN 398,000 would be due to financial assets and liabilities denominated in EUR and PLN 3,097,000 – due to financial assets and liabilities denominated in USD and PLN 465,000 due to liabilities denominated in JPY.

The above estimation of the impact of foreign exchange risk on the financial result was calculated on the basis of 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 above mentioned currencies by 10% would cause a respective increase of net financial result by the amount mentioned above.

8. Liquidity risk

The Group has developed an appropriate liquidity risk management system for the purposes of managing the short-, medium- and long-term funds of the Group 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 forecast and actual cash flows on an ongoing basis and by analysing 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 conducted. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to risks of receivables becoming uncollectible is insignificant. As regards the Company's other financial assets, including cash, deposits and investments in assets available for sale, the Group's risk is directly related to other parties' inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

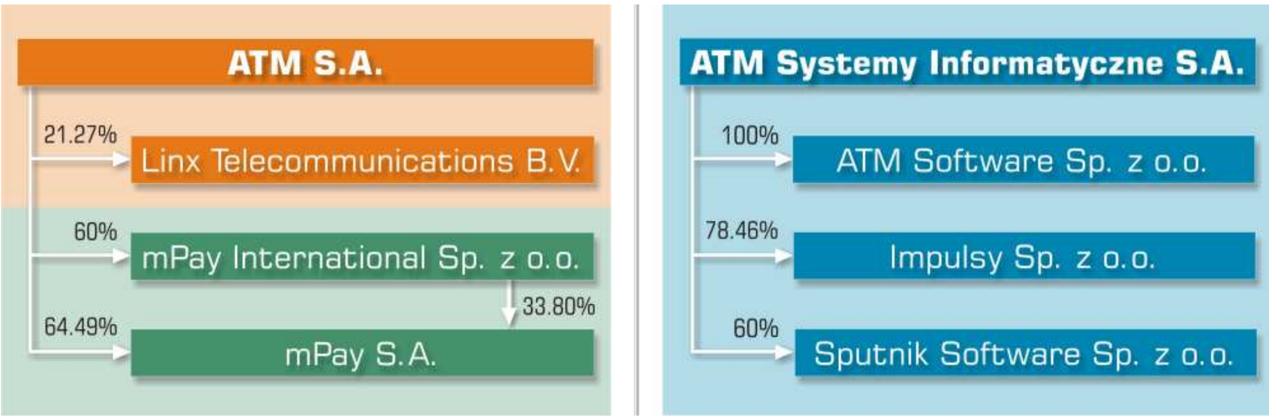
Fair value of individual financial instruments did not significantly differ from their book values recorded in the financial statements as at subsequent balance sheet dates.

NOTE 30.
EVENTS AFTER THE BALANCE SHEET DATE

On 20 April 2012, the Extraordinary General Meeting adopted a resolution approving the Issuer's division by the transfer of assets to ATM Systemy Informatyczne.

As a consequence of this division, ATM S.A. will continue its current activities, namely the provision of telecommunications services. Total assets and liabilities related to integrating services will be transferred to ATM Systemy Informatyczne together with shares held by ATM S.A. in ATM SI and shares in other integrating companies comprising the ATM capital group (ATM Software, Impulsy, Sputnik Software).

The structure of both companies after the division will be as follows:



The division of ATM S.A. is connected with the process of introducing ATM SI shares to trading on the regulated market operated by the Warsaw Stock Exchange (WSE).

The division of ATM S.A. is aimed at reorganizing the activity of ATM capital group in such a way that each of the two main activities were carried out by an independent company listed on the Warsaw Stock Exchange: activity in the provision of telecommunications services by ATM S.A. and activity in the provision of systems integration by ATM Systemy Informatyczne S.A.

The planned division will significantly simplify the structure of the Issuer's capital group. At the same time, each of the companies will be more attractive for investment, among other things due to the fact that:

- It will carry out a homogeneous activity, subject to easier modelling and valuation in comparison with other companies, and fulfilling the investment preferences of shareholders to a greater extent
- It will be subject directly to the information obligations in relation to its shareholders
- It will be valued by indicators adequate for its industry
- It will be an active participant to consolidation processes on the market in its industry, both as the acquirer (strengthening of market position), and the acquired (realization of premiums for shareholders)

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 2011. Comparable data included in the 2011 statements do not differ from the data included in the published 2010 statements.

NOTE 32.
REMUNERATION FOR EXPERT AUDITORS OF THE PARENT UNDERTAKING

	End of the period 31/12/2011	End of the period 31/12/2010
Audit of the financial statements	50	93
Other certification services	35	23
Other services	-	0
	85	**116**

NOTE 33
SIGNIFICANT EVENTS IN THE REPORTING PERIOD

On 29 June 2011, the Supervisory Board of the Issuer adopted a resolution approving draft changes to the ATM S.A. capital group, submitted by the Management Board of the Issuer, related to the division of the Issuer by separating the organized part of the enterprise from ATM S.A. in the form of Integrating Services Sector of the Issuer and its transfer to ATM Systemy Informatyczne S.A. pursuant to Article 529 § 1 point 4 of the Code of Commercial Companies.

REPORT ON OPERATIONS OF THE ISSUER'S CAPITAL GROUP IN 2011

1. Review of key economic and financial parameters

The ATM capital group can consider 2011 a successful year. Although it did not manage to improve its operational performance in every field of activity, particularly positive factor is the development of telecommunications activity, which had a positive impact on the consolidated financial results.

In 2011, the Group generated its all-time highest level of sales revenue of over PLN 444.5 million (11% increase y/y), sales margin of PLN 136.98 million (5% increase y/y), operating profit of PLN 31.6 (5% decrease y/y) and net profit of PLN 16.7 million (23% decrease y/y). EBITDA increased by 3%, reaching PLN 57.5 million in 2011. It is worth to note an increase in depreciation of more than 14%, resulting from activities conducted in the telecommunications investment processes.

Results of 2011 could be even better, especially at the level of net profit, but for the lack of significant participation in the consolidated result of IT activities which usually generated most of the operating profit and net profit in the fourth quarter.

The considerably worse net result of the entire year was also connected with the share in the financial result of undertakings valued using the equity method (loss of PLN 0.3 million as compared to PLN 1 million of profit in 2010) resulting from 21.27% share of the Issuer in Linx Telecommunications B.V. and financial results of mPay S.A. – worse than in 2010: net loss of 1.9 million (PLN 1.5 million of loss in 2010).

While reviewing the 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 four years in a row. In this area, the Group significantly exceeded PLN 175 million of annual revenue (50% increase y/y) and PLN 17.27 million of operating profit (9% increase y/y), which allows the inclusion of ATM in the group of the largest entities offering telecommunications services for business in Poland.

During the last year only, the Issuer acquired more than 120 new customers in the three ATM data centers (36% increase) and achieved 37% increase in revenue from sales of colocation services in the entire 2011. Share of this revenue in total telecommunications revenue of the Issuer (net of revenue from OST 112) was 34%, at the end of 2011 (in 2010: 27%, 2009: 23%), and is currently the second source of telecommunications revenue, after the data transmission services.

In the area of the provision of services related to the integration of ICT systems in the last year we did not manage to improve the financial results of 2010 — historically the best in the long term activity. In the last year, the Group recorded the following decrease in financial results at every level of this operating segment: PLN 279.6 million of sales revenue (10% decrease y/y), PLN 66.2 million of sales margin (1% decrease y/y), and PLN 16.1 million of operating profit (15% decrease y/y).

The largest integration contract implemented in 2011 was the continued development of the Nationwide ICT Network for the purposes of operating the emergency number 112 (OST 112). The completion of this project, implemented by ATM Systemy Informatyczne S.A. (ATM SI) in the area of integration, is planned at the end of the first quarter of 2012. The sales margin on this contract obtained on a quarterly basis is fixed throughout its implementation. With effective implementation of this big and difficult undertaking, ATM proves its ability to implement similar projects: with high degree of technical, logistics and organizational complexity.

Good news is that all the Group's companies active in the ICT systems integration segment achieved positive financial results in 2011, performing well in their market segments; ATM Software was particularly successful, achieving a high revenue growth by more than 94% (y/y) and impressive growth in net profit by over 600% (y/y), which amounted to PLN 1.5 million.

As at the end of 2011, the Group's equity amounted to PLN 283,089,000 (at the end of 2010 PLN 275,273,000).

No changes in accounting principles occurred in comparison with the financial statements for 2010 – this time the Group's consolidated financial statements were also prepared in accordance with International Financial Reporting Standards.

2. Description of material risk factors and threats

Risks 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.

Risks associated with the implementation 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 reduced 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.

Risks associated with human resources

The Issuer's operations are successfully carried out by highly qualified staff. Another factor influencing the Company's success and competitiveness is the management. 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 business and professional secrets) could also have negative repercussions.

The Company's experiences show that 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 basic products

Apart from one exception, the Group's companies do not produce or offer services aimed directly at individual customers. The majority of products and services on offer are targeted at institutional clients, except for mobile payment services. Services and products offered by the capital group 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 centers (colocation and hosting),
- data transmission and fiber optic services,
- Internet access services.

The following are the main ICT systems integration services:

- construction of ICT infrastructure of various 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 the Cisco technologies (ATM Systemy Informatyczne S.A.),
- professional data center infrastructure systems and guaranteed power supply systems (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 aforementioned categories whose share in the Issuer's total sales is the following:

For the period 01/01–31/12/2011	Telecommunications	ICT systems integration	Mobile payments	Consolidation eliminations	Total
Sales revenue	175,198	279,613	2,568	(12,797)	444,582
Margin on sales*	**68,997**	**66,225**	**1,717**	**40**	**136,978**
Operating profit (loss)	**17,273**	**16,077**	**(1,798)**	**62**	**31,615**
EBITDA	37,084	20,990	(635)	62	57,501

**) Revenue on sales reduced by variable selling costs*

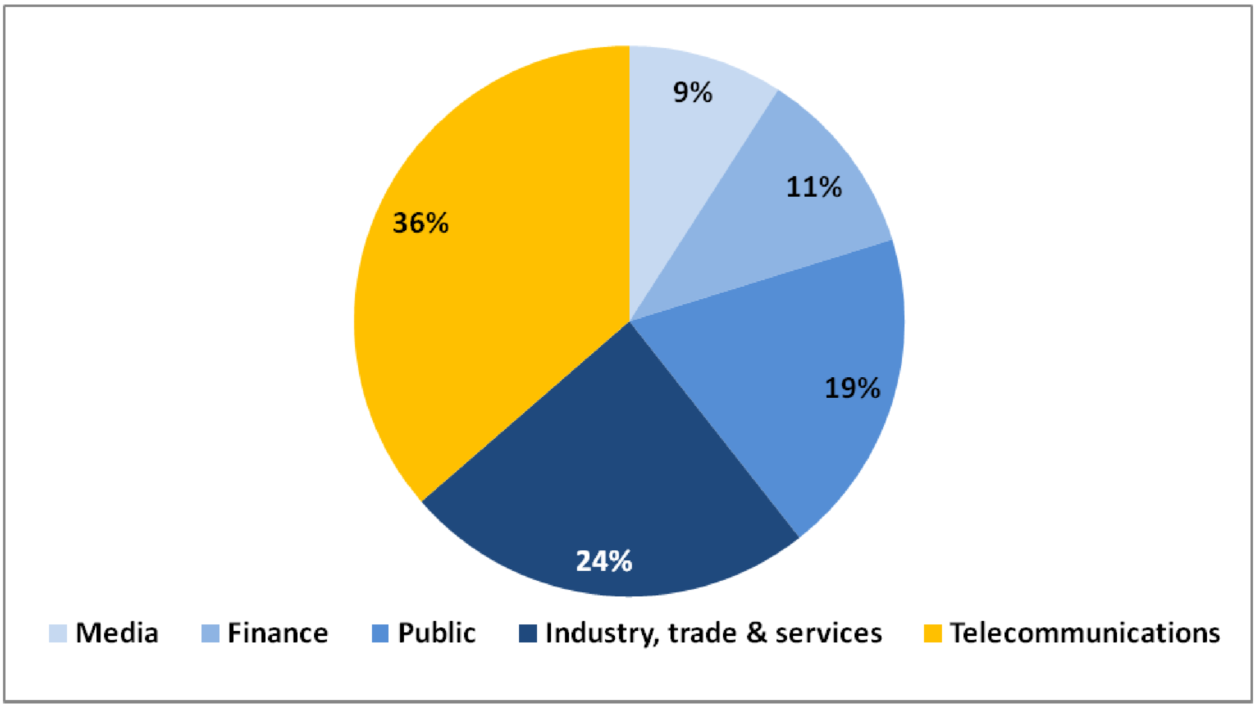
3.2. Information about markets, including the division into domestic and foreign markets, and information on sources of materials supply for production of goods and services, identifying the dependence on one or more recipients and providers

The main market for the products and services offered by the ATM S.A. capital group is Poland. Given the complexity of implemented projects and their usually 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. capital group may be located in every part of the country. The Group has customers in all regions of Poland. The Group's services become more and more popular among foreign customers (in particular data center services).

The most important customers of the Issuer's capital group 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 2011 by sectors*:



**) excluding telecommunications revenue from "Public" sector under the OST 112 project (implemented by ATM S.A.)*

As in the previous years, both the parent undertaking and the capital group have rather a diversified recipients' portfolio, which secures the Issuer's business, especially in the current recession in some market segments. In 2011, the Group had one client whose share in the total sales revenue would have had exceeded 10%, namely IT Project Center of the Ministry of the Interior and Administration (Centrum Projektów Informatycznych MSWiA). The sales to this client amounted to 23% of the Group's consolidated revenue.

In 2011, the Group continued to strengthen its cooperation with Cisco Systems — one of the suppliers. 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 basic groups:

- Associated with the provision of telecommunications services
- Associated with ICT systems integration

In relation to the first group, purchases are made from domestic and international telecommunications operators.

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 capital group 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 customers. 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 capital group and the revenue it generates. The share of sales of goods and services based on technologies and equipment provided by this producer in the Group's total sales revenue amounted to 26%.

No relations other than under partnership agreements exist between the capital group and the aforementioned undertakings.

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

In 2011, ATM Systemy Informatyczne S.A., a subsidiary of the Issuer, entered into agreements with BNP Paribas S.A., whose total value meets the criteria of a significant agreement as regards ATM S.A. The agreements were as follows:

1. Agreement of 14 October 2011 on multi-purpose credit line of up to PLN 25 million
2. Framework agreement of 13 October 2011 on foreign exchange transactions and derivatives at PLN 6 million.

Total maximum limits specified in these agreements amount to PLN 31 million.

Agreement of the highest value is the multi-purpose credit line agreement. It was concluded for the period from 14 October 2011 to 13 October 2021 and sets a credit limit on the current account at PLN 10 million, guarantee limit at PLN 15 million, and the letters of credit limit at PLN 15 million, provided that the maximum total value of liabilities does not exceed PLN 25 million.

Interest on credit on the current account was set at WIBOR 1M plus the bank margin. The cost of guarantee depends on its duration and is fixed as an interest rate on the amount of the guarantee in amounts typical for this type of banking products. Commissions and fees arising from the open letters of credit are specified in the Bank's Schedule of Commissions and Fees.

The repayment of debts of ATM Systemy Informatyczne S.A. under this agreement is secured by a blank promissory note, the general assignment of the existing and future trade receivables, and a declaration of submission to execution. The agreement in question does not provide for contractual penalties. Its other terms are similar to those used by banks in this type of agreements.

Since the total value of limits in agreements concluded between ATM Systemy Informatyczne S.A. and BNP Paribas S.A. amounts to PLN 31 million, they meet the criteria of a significant agreement (Current Report No 6/2012), because their total value exceeds 10% of ATM S.A. equity.

Also in 2011, a subsidiary, ATM Systemy Informatyczne S.A., has entered into agreements with BRE Bank S.A., whose total value meets the criteria of a significant agreement in respect of the Issuer. These were agreements on credit granting on the current account, an agreement on the provision of bank guarantees, an agreement on limits for derivative transactions, and an investment loan agreement. Total maximum limits specified in these agreements amount to PLN 34 million.

Agreement of the highest value is the agreement concluded on 14 June 2011, on credit on the current account in the amount of PLN 15 million, granted for the period from 14 June 2011 to 30 May 2012, bearing interest at a variable WIBOR rate for O/N deposits, increased by the Bank margin. Funds under the granted limits will be used to pay obligations arising from previous credits on current account in BRE Bank S.A. from 2007 and 2010, and also to finance the Company's current operations.

The repayment of debts of ATM Systemy Informatyczne S.A. under the credit in the current account is secured by a contractual mortgage for a property owned by the Company, and blank promissory note. The agreement in question does not provide for contractual penalties. Its other terms are similar to those used by banks in this type of agreements.

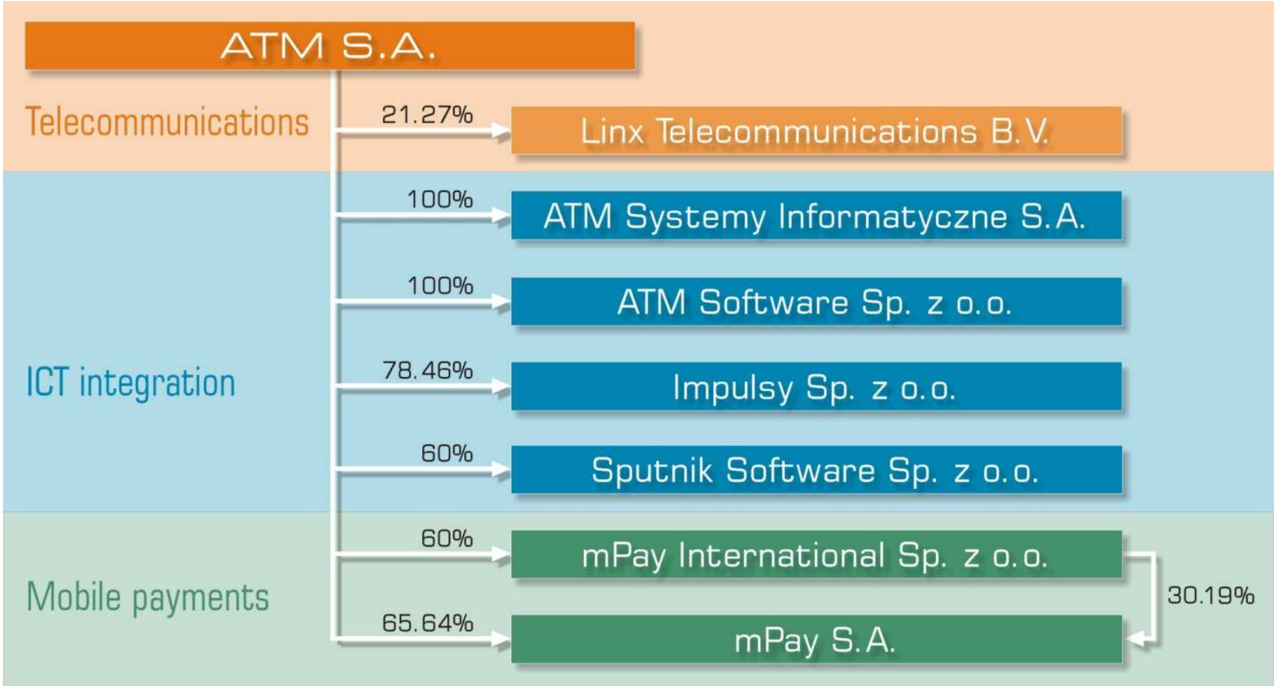
Since the total value of limits in agreements concluded between ATM Systemy Informatyczne S.A. and BRE Bank S.A. amounts to PLN 34 million, they meet the criteria of a significant agreement (Current Report No 7/2012), because their total value exceeds 10% of the Issuer's equity.

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

In 2011, ATM S.A., as the parent undertaking of the capital group, conducted the following investments in its subsidiaries:

- On 3 January 2011, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered an increase in the share capital of ATM Systemy Informatyczne S.A. to the amount of PLN 986,733, according to the resolution of the Extraordinary General Meeting of ATM Systemy Informatyczne S.A. adopted on 27 December 2010, which resulted in ATM S.A.'s acquisition of 453,373 shares
- On 24 January 2011, a resolution was adopted to increase the share capital of mPay S.A. to PLN 20,000,000 and to acquire 450,000 new shares for ATM S.A.
- On 7 February 2011, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered the increase in the share capital of mPay S.A. to PLN 20,000,000, as a result of which the subscription of 1,450,000 shares by ATM S.A was approved
- On 31 March 2011, a contract was concluded on transfer of rights to all 60% of inONE S.A. shares owned by ATM S.A. in the amount of 300,000 and valued at PLN 7,200,000 to Web Inn S.A.
- On 2 August 2011, a resolution was adopted to define the amount of mPay S.A. share capital increased on 14 June 2011 to PLN 22,400,000 through the issue of shares. Within the increased capital, ATM S.A. acquired 3,611,527 shares valued at PLN 1,805,763.50
- On 12 October 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. to PLN 22,400,000, PLN 1,805,763.50 of which has been acquired by ATM S.A.

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



3.5. Information concerning the 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 have been provided in Note 22 of the Consolidated financial statements.

3.7. Information concerning loans granted in the fiscal year, and 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:

	End of the period 31/12/2011	End of the period 31/12/2010
mPay International Sp. z o.o.	1,442	1,215
mPay S.A.		592
	1,442	**1,807**

- 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. So far, the General Meeting of Shareholders of mPay has not adopted a resolution concerning this matter.

- Second loan granted to mPay International Sp. z o.o.: PLN 167,000, interest rate: WIBOR 1M + margin. The loan is due until the end of 2011.

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

	End of the period 31/12/2011	End of the period 31/12/2010
To related undertakings:	-	**-**
To other undertakings:	**71,745**	**71,306**
1. Bank guarantees received:		
- performance bonds and tender bonds	33,987	26,020
2. Mortgage security:		
- bank loan security	35,395	9,595
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing		-
- bank loan security		31,812
4. Pledges:		
- bank loan security	2,363	3,879
	71,745	**71,306**

As at 31 December 2011, tender bonds and performance bonds for ATM S.A. included guarantees granted by BRE Bank S.A. amounting to PLN 2,063,000, by Bank Millennium S.A. amounting to PLN 6,898,000, and by DnB NORD Polska S.A. amounting to PLN 7,508,000.

ATM S.A. also had a promissory note to bank loan in BRE Bank S.A. in the amount of 11,778,000.

ATM SI had a mortgage loan of PLN 35,395,000 and bank guarantees amounting to PLN 1,280,000, also in BRE Bank S.A.

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 have 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 published forecasts

The Company did not make the 2011 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. capital group 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 ability to fulfil investment plans

One of the Issuer's most important investment plans is the development of telecommunications infrastructure for services based on data centers. In this area, the Issuer plans two important investment projects, i.e. systematic equipping and commissioning of consecutive stages of Thinx Poland data center (formerly Telehouse.Poland) and expanding the ATMAN data center, which at the same time is the most extensive project in the history of the Issuer's activity.

Data center investments allow to spread investment expenses over time, according to the demand for services offered. The construction of data centers 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 center for colocation services, the Issuer acquires funds for the equipment of subsequent fragments of the center. The schedule of commissioning subsequent data center fragments will be contingent upon the demand for data center services and pace of acquiring clients.

Within the scope of telecommunications activity the Issuer also plans to modernize and extend the existing optical networks and connecting new customers with them.

All Issuer's investments will be financed from the Issuer's own funds supported with leases 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 factors and unusual circumstances which materially affected financial results for 2011

In the reporting period in question, no factors and unusual circumstances occurred which would materially affect financial results of the activity in 2011.

3.14. Description of external and internal factors important for the development of the undertakings within the Issuer's capital group and development prospects until the end of 2012

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 center 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 basic management principles of the Issuer's capital group

In 2011, no changes occurred in basic management principles of the Issuer's capital group.

3.16. Changes in the composition of managing and supervisory bodies of the companies in the Issuer's capital group in 2011

On 1 February 2011, Konrad Łuczak was dismissed from his post of the President of the Management Board in mPay S.A., and replaced by Piotr Warsicki.

On 28 February 2011, Andrzej Molski was dismissed from his post of the President of the Management Board in ATM Software Sp. z o.o., and replaced by Paweł Pisarczyk. At the same time, Mariusz Stusiński was appointed Vice-President of the Management Board in ATM Software Sp. z o.o.

On 31 March 2011, changes were introduced to the Supervisory Board of inONE S.A.: Tadeusz Czichon, Roman Szwed and Monika Krzyżanowska were dismissed, and representatives of Web Inn S.A. – the new owner, were appointed new members.

On 14 June 2011, new Supervisory Board of mPay S.A. was appointed, composed of: Roman Szwed, Tadeusz Czichon, Maciej Klepacki, Jarosław Pietrzak and Piotr Puteczny.

On 9 August 2011, Roman Szwed was dismissed from the Supervisory Board of ATM Systemy Informatyczne S.A., and Piotr Puteczny was appointed new member of the Board. At the same time, Roman Pawlina was dismissed from his post of the President of the Management Board in ATM Systemy Informatyczne S.A., and replaced by Roman Szwed.

On 27 October 2011, Jarosław Pietrzak was dismissed from the Supervisory Board of Linx Telecommunications B.V., and replaced by Maciej Krzyżanowski.

On 27 December 2011, Leszek Wilk was dismissed from the Supervisory Board of ATM Systemy Informatyczne S.A., and Sławomir Kamiński was appointed the new member of the Board.

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

Contracts with members of the Issuer's Management Board include non-competition clauses which remain binding 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 capital group.

3.18. The 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 2011, 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	PLN 650,577
Tadeusz Czichon*	PLN 655,715
Maciej Krzyżanowski	PLN 617,908
Supervisory Board of ATM S.A.:	
Jan Wojtyński	PLN 82,796.12
Tomasz Tuchołka	PLN 42,648.06
Sławomir Kamiński	PLN 42,648.06
Mirosław Panek	PLN 42,648.06
Grzegorz Domagała	PLN 42,648.06

**) the remuneration is paid to ATP-Investments Sp. z o.o. under the agreement on the company management*

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

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

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

Name 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	59,000	56,050.00

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	%
Tadeusz Czichon	5,956,887	16.39
Polsat OFE*	3,579,097	9.85
ING OFE*	3,443,794	9.48
Roman Szwed	3,287,993	9.05
Piotr Puteczny**	1,861,263	5.12

**) number of shares as at 30 December 2011, based on the "Annual asset structure"*

***) 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. capital group (except for the Issuer's Management Board) are included in the Incentive Scheme. Under the Scheme they are entitled to purchase 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 this financial statement 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 the employees of ATM S.A. capital group for the period 2008–2010.

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.

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

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. capital group, in accordance with the Rules of the Incentive Scheme (as per the current report No 22/2008 of 5 June 2008).

On 4 July 2011, Beskidzki Dom Maklerski S.A. informed the Issuer about the transfer of 23,260 shares of ATM S.A. between 8 and 30 June 2011 from the Company's account to broker accounts of selected employees of ATM S.A. and its subsidiaries, in relation to the broker service of the Incentive Scheme provided by BDM S.A. to the employees of ATM S.A. capital group. Sales of treasury shares fulfils the provisions of § 4 paragraph 4 of the Incentive Scheme Regulations for the employees of ATM S.A. capital group.

The average unit sales price of shares was PLN 0.95. The total face value of shares sold was PLN 22,097. The sold holding constitutes 0.064% of the share capital and provides 22,097 votes (0.064%) at the General Meeting.

At the same time, Beskidzki Dom Maklerski S.A. informed the Company about the transfer of 10,000 shares of ATM S.A. on 13 June 2011 to the investment account owned by the Company, 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. capital group. The repurchase of treasury shares was a result of realization of ATM S.A.'s right to repurchase the Company's shares in the case of termination of an authorized person's employment.

As at 31 December 2011, the Company had no treasury shares.

3.26. Information concerning the entity entitled to audit financial statements

On 1 August and 13 September 2011, the Issuer concluded audit contracts with the entity entitled to audit financial statements – PKF Audyt Sp. z o.o.

The subject of these contracts is:

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

Remuneration under the contract for the audit of separate and consolidated financial statements for the period from 1 January to 30 June 2011 amounted to PLN 35,000 net.

Remuneration under the contract for the audit of separate and consolidated financial statements for the period from 1 January to 31 December 2011 amounted to PLN 50,000 net.

In 2010, the remuneration amounted to:

- PLN 23,000 net for the audit of separate and consolidated financial statements for the period from 1 January to 30 June 2010;
- PLN 93,000 net for the audit of separate and consolidated financial statements for the period from 1 January to 31 December 2010.

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 the period 31/12/2011	% of total assets	End of the period 31/12/2010	% of total assets
Fixed assets	369,733	68.64%	339,010	63.15%
Current assets	168,905	31.36%	197,855	36.85%
Total assets	538,638	100.00%	536,865	100.00%
Equity	283,090	52.56%	275,273	51.30%
Long-term liabilities	63,358	11.76%	55,871	10.40%
Short-term liabilities	192,188	35.68%	205,721	38.30%
Total liabilities	538,638	100.00%	536,865	100.00%

Selected financial ratios

	2011	2010	2009
1. Return on sales <u>Gross profit on sales x 100%</u> Net income	24.6%	24.8%	27.9%
2. Return on equity <u>Net profit x 100%</u> Average equity	5.9%	8.1%	4.0%
3. Turnover of receivables pace <u>Average amount of claims for goods and services x 365 days</u> Net income	86 days	86 days	103 days
4. Debt rate <u>Liabilities and provisions for liabilities x 100%</u> Total assets	47.4%	48.7%	30.2%
5. Liquidity ratio <u>Current assets</u>	0.9	1.0	1.1

4.2. Major events which influenced the activity and financial results of the Issuer's capital group

Telecommunications and value-added services

The end of 2011 was particularly good for the telecommunications activities of the Issuer. As expected, the newly finished F3 building at ATMAN Data Centre aroused great interest of customers. It is one of the most state-of-the-art structures of its kind in Poland. Already in the first month of its completion, the Issuer entered into long-term contracts on colocation services covering over 33% of available space in this property. It is worth emphasizing that one of these agreements was concluded with a global reach customer who will use the data centers infrastructure provided by ATM to render services to its customers throughout Europe. The total value of these contracts exceeds PLN 13.5 million and the first revenue will be recorded in the first quarter of 2012.

The group of customers who chose the offer of telecommunications services in data centers of the Issuer in 2011 include: Nasza Klasa, Medicover, Urząd Miasta Katowice, Kino Polska TV S.A., Dom Kredytowy NOTUS S.A., LexisNexis Polska publishing house, Siódemka S.A., as well as it WORKS (previously: Web Inn), Mercury Mobile.Polska, ITforMED, Archiwum 24, VoxNet S.A., Thomson Trading LLC Company and Generia.

Successful sales of colocation services in completed data centers allows the Issuer to systematically commission new space in its three centres which, as at 31 December 2011, were already filled up in 64%.

Providing data transmission services and fiber optic services is the second significant area of the telecommunications activity of the ATM Group, with over 36% share in the total telecommunications revenue (excluding the revenue from the OST 112 contract). In this area, the Issuer recorded 9% increase in the sales revenue, resulting from two projects carried out for other telecommunication providers, including the purpose of the implementation of LTE technologies in Poland. The Issuer still 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 popularization of this technology. ATMAN has one of the largest metropolitan fiber optic networks in Poland, also in cities where the development of own fiber optics networks for the purposes of creating an LTE network would be very time consuming and expensive.

In the third sector of telecommunications activity — Internet access services, the Issuer has been observing, since the second half of 2011, a halt in the slowdown that started at the beginning of 2010. Although throughout the entire 2011 the revenue decreased by 13% as compared to 2010 and by 21% as compared to 2009, the sale of Internet access services in the third and fourth quarters of 2011 show a halt in this downward trend. Like other providers in the wholesale Internet access market, the Issuer noticed the drop in unit prices in 2010–2011 which, despite the increased volume of sales, had negative influence on the growth of telecommunication revenue, despite very good results of sales of data centers and fiber wire services.

Considering the telecommunications activity by sectors, in 2011 the number of the Issuer's clients increased by over 16%, exceeding the number of 1,000 active companies and institutions to whom the Issuer provides telecommunication services. Particularly noteworthy is the strengthening of the position of the leading telecommunications services provider for the telecommunications sector as well as for the financial and insurance sector which currently correspond to, accordingly: 50% and 20% of telecommunications revenue of ATM S.A.

ICT systems integration

One of the most successful activities within the IT sector in 2011 is the strengthening of the Issuer's position in the energy market. A consortium consisting of ATM SI, ATM S.A., ATM Software S.A., and Innovation Technology Group SA signed a contract in the first half of 2011 on deployment and integration of an application system for Energa-Operator S.A., one of the largest electric energy distributors in Poland. The application system is aimed to handle processes related to managing, collecting, and distributing data from meters in the customer's power grid. It is the so-called Smart Metering system, the implementation of which becomes necessary in Poland and other European countries due to the need of reducing energy consumption. The invitation to tender of Energa-Operator is a pilot deployment of the system in Poland. The net value of the contract amounts to over PLN 15 million. Further contracts executed in the energy sector in 2011 were agreements concluded with Polskie Górnictwo Naftowe i Gazownictwo SA (PGNiG), Data Processing Center of Górnośląska Spółka Gazownictwa (GSG), and Tauron Polska Energia S.A.

In 2011, in addition to the execution of agreements in the energy sector, the Group consistently increased the sales of its integration services on the key market for ICT operators, i.e. the telecommunications market. For the most part, the Group worked in close collaboration with Cisco Systems, which is the largest technology partner of the Company.

The largest integration contract implemented in 2011 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, was proceeding in accordance with the assumptions and approved schedule for another year in a row. 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. In the first quarter of 2012, the completion of integration part of the agreement is planned.

Major capital events in this operating segment in 2011 include the merger of KLK and ATM Systemy Informatyczne finalized at the beginning of last year, and the sale of inONE S.A. controlled holding (60%) in March 2011, which is the continuation of the process of structure organizing in the ATM capital group initiated in 2009.

Mobile payments

mPay S.A. operates in the segment of mobile payments. Jointly with its partners among mobile telephony providers and financial institutions, the company undertakes activities aimed at popularizing mobile payments in Poland. mPay S.A. is a pioneer in this type of solutions in Poland, however, this does not yet grant operating profitability.

Confirmation of the growing position of mPay in the market of mobile payments in 2011 was the strengthening of cooperation with MasterCard. Since mid-July, both companies have made mobile payments available to several million users of MasterCard payment cards in Poland. This innovative solution at European level allows direct access to funds for the implementation of payments via mobile phones without having to make transfers to one's electronic wallet.

One of the most important events in the history of mPay S.A. was the company's debut on the NewConnect market. In July 2011, the company completed private offering of L-series shares. The Company managed to obtain over PLN 2.4 million from the market. 23 investors acquired 4.8 million shares valued at PLN 0.51 each, and the company debuted on the NewConnect market in October 2011.

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

ATM S.A. – the parent undertaking held as at 31 December 2011

- 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 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.: 29,404,527 shares of the total value of PLN 14,702,264, which constitutes 65.64% of the share capital and entitles to 65.64% 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

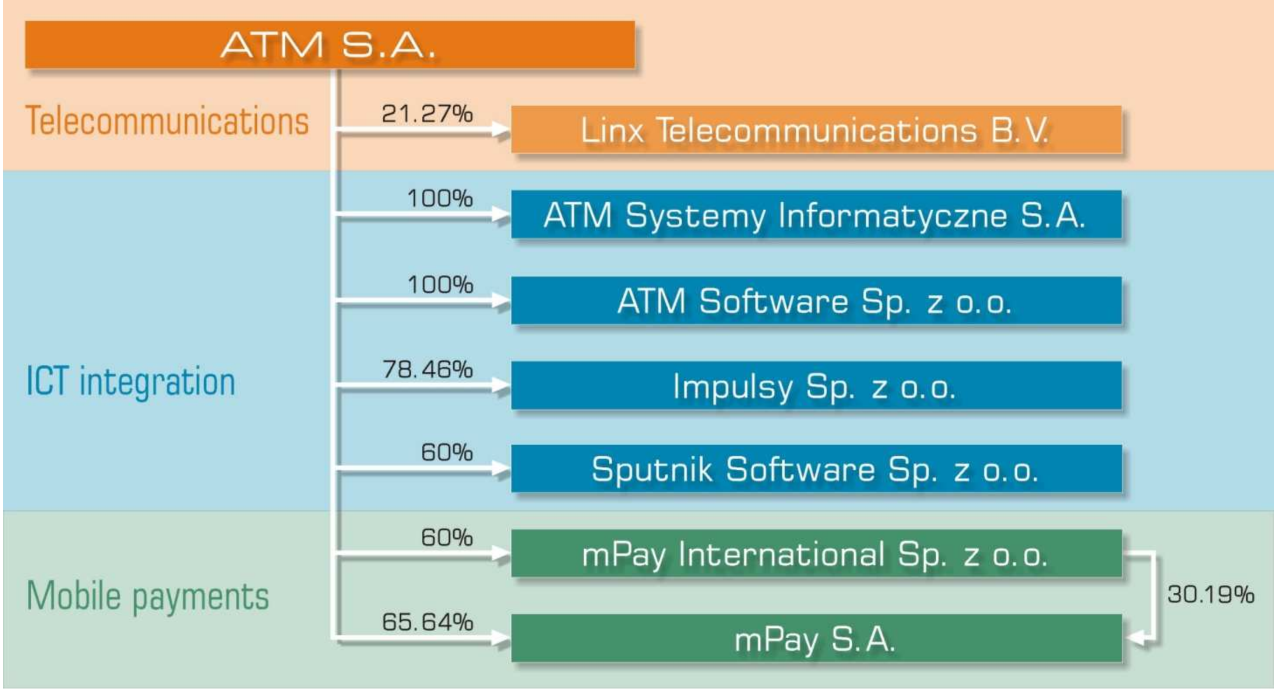
ATM Systemy Informatyczne S.A. – a subsidiary, holds:

- 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 capital group, with the list of consolidated companies, and description of changes in the organization of the Capital Group

The chart below presents the structure of the ATM S.A. capital group 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.

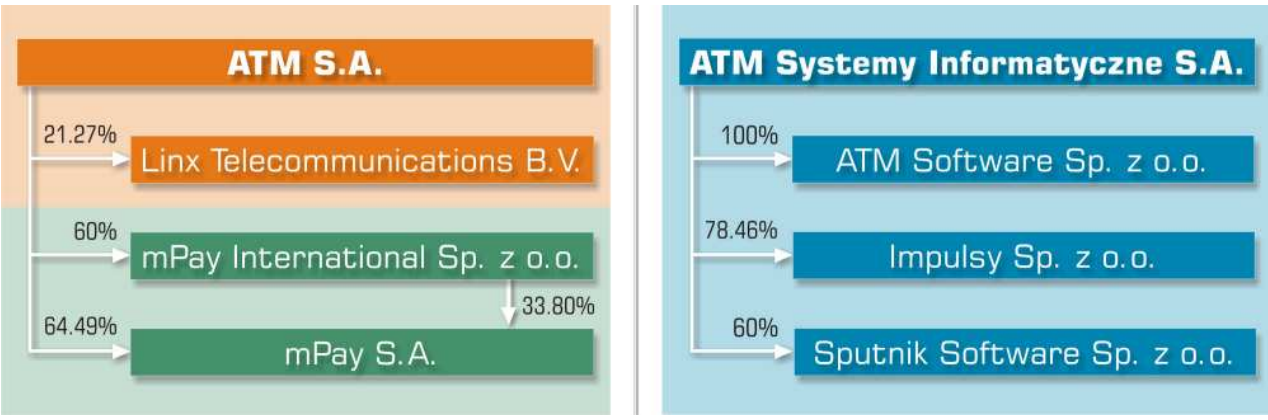
Detailed description of capital changes has been provided in point 4.4 of the report on operations of the Issuer's capital group.

4.5. Description of the policy concerning development lines of the Issuer's capital group

On 20 April 2012, the Extraordinary General Meeting adopted a resolution approving the Issuer's division by the transfer of assets to ATM Systemy Informatyczne.

As a consequence of this division, ATM S.A. will continue its current activities, namely the provision of telecommunications services. Total assets and liabilities related to integrating services will be transferred to ATM Systemy Informatyczne together with shares held by ATM S.A. in ATM SI and shares in other integrating companies comprising the ATM capital group (ATM Software, Impulsy, Sputnik Software).

The structure of both companies after the division will be as follows:



The division of ATM S.A. is connected with the process of introducing ATM SI shares to trading on the regulated market operated by the Warsaw Stock Exchange (WSE).

The division of ATM S.A. is aimed at reorganizing the activity of ATM capital group in such a way that each of the two main activities were carried out by an independent company listed on the Warsaw Stock Exchange: activity in the provision of telecommunications services by ATM S.A. and activity in the provision of systems integration by ATM Systemy Informatyczne S.A.

The planned division will significantly simplify the structure of the Issuer's capital group. At the same time, each of the companies will be more attractive for investment, among other things due to the fact that:

- It will carry out a homogeneous activity, subject to easier modelling and valuation in comparison with other companies, and fulfilling the investment preferences of shareholders to greater extent
- It will be subject directly to the information obligations in relation to its shareholders
- It will be valued by indicators adequate for its industry
- It will be an active participant to consolidation processes on the market in its industry, both as the acquirer (the strengthening of market position), and the acquired (realization of premiums for the shareholders)

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 capital group.

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

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Warsaw, 25 April 2012

Name and surname	**Position/function**	**Signature**
Roman Szwed –	President of the Management Board	....
Tadeusz Czichon –	Vice-President of the Management Board	....
Maciej Krzyżanowski –	Vice-President of the Management Board	....

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 capital group and its financial performance and that the report on the activities of the Issuer's capital group gives a true picture of the development, achievements and standing of the Issuer's capital group, including most important risks and threats.

Warsaw, 25 April 2012

Name and surname	Position/function	Signature
Roman Szwed	President of the Management Board	....
Tadeusz Czichon	Vice-President of the Management Board	....
Maciej Krzyżanowski	Vice-President of the Management Board	....

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, 25 April 2012

Name and surname	**Position/function**	**Signature**
Roman Szwed	President of the Management Board	....
Tadeusz Czichon	Vice-President of the Management Board	....
Maciej Krzyżanowski	Vice-President of the Management Board	....

STATEMENT OF THE MANAGEMENT BOARD OF ATM S.A. ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2011

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 the following Resolutions of the Warsaw Stock Exchange Supervisory Board: No 17/1249/2010 of 19 May 2010, No 15/1282/2011 of 31 August 2011, and No 20/1287/2011 of 19 October 2011.

The updated text of these principles is available on the Internet at:
http://corp-gov.gpw.pl/assets/library/polish/regulacje/dobre_praktyki_19_10_2011_final.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 represents that it does not apply the following principles of corporate governance:

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 define the form, structure and level of remuneration of members of supervisory and management bodies. In determining the remuneration policy for members of supervisory and management bodies, the European Commission Recommendation of 14 December 2004 should apply, fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

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 influence 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 the management and supervisory functions in their enterprises, thus reinforcing the creativity and innovation of the companies' economic activity.

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 the management and supervisory functions in the Company.

12. item 2) A company should enable its shareholders to participate in the General Meeting using electronic communication devices, for the purpose of

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

The company will examine the possibility to adapt to the recommendations of good practice in this field, provided that solutions offered on the market will allow conducting the general meeting in a safe and effective manner. Currently the Company is already broadcasting the general meeting in real time in the Polish language.

IV. Best Practices of Shareholders

10. item 2) A company should enable its shareholders to participate in the General Meeting using electronic communication devices, for the purpose of

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

The company will examine the possibility to adapt to the recommendations of good practice in this field, provided that solutions offered on the market will allow conducting the general meeting in a safe and *effective manner. Currently the Company is already broadcasting the general meeting in real time in the Polish language.*

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 in 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	Stock in the share capital	Number of votes at the General Meeting	Stock in the overall number of votes
Tadeusz Czichon	5,956,887	16.39%	5,956,887	16.39%
Polsat OFE*	3,579,097	9.85%	3,579,097	9.85%
ING OFE*	3,443,794	9.48%	3,443,794	9.48%
Roman Szwed	3,287,993	9.05%	3,287,993	9.05%
Piotr Puteczny**	1,861,263	5.12%	1,861,263	5.12%

**) data concerning POLSAT OFE and ING OFE refers to the number of shares owned by these shareholders as at 31 December 2011 based on the "Annual asset structure".*

***) 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.

There are no restrictions on voting rights attributable to shares of the Issuer.

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 the employees of ATM S.A. capital group for the period 2008–2010.

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.

No 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, 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 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,
- adopt 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 President and Vice-Presidents of the Management Board are jointly appointed for a term of 5 years. The term of office of Members of the Management Board 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 Members of the Management Board for a given term lapses. 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 Member of the Management Board should not resign from his/her duties in the course of the term of office. However, if a Member of the Management Board is forced by circumstances to resign from the Management Board position, he/she has to consider the continuity of the 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 concerning amendments to 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 registry 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 regulations of the General Shareholders Meeting, if such regulations have been passed and are not a direct result of the 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 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 and Regulations;
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, 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 immediately 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 according to the order of their enlisting. The decision on closing the discussion shall be 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 their submission. 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 2011, the Management Board of ATM S.A. was composed of the following members:

- Roman Szwed – President of the Management Board,
- Tadeusz Czichon – Vice-President of the Management Board,
- Maciej Krzyżanowski – Vice-President of the Management Board.

The Management Board holds meetings at least once a month. Meeting of the Management Board may be called by each Member of the Management Board at any time, by notifying the other Members. For a Meeting of the Management Board to be valid, at least 2 Members of the Management Board must be present. Meetings of the Management Board are chaired by the President of the Management Board. 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 Meetings of the Management Board is open. The Management Board may invite other persons to the Meeting, whose participation may help in managing the Company.

From 1 January 2011 to 31 December 2011, the Company's Supervisory Board was composed of the following members:

- Jan Wojtyński – Chairman of the Supervisory Board,
- Tomasz Tuchołka – Vice-Chairman of the Supervisory Board,
- Grzegorz Domagała – Member of the Supervisory Board,
- Sławomir Kamiński – Member of the Supervisory Board
- Mirosław Panek – Member of the Supervisory Board

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 lapses. 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 the 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, by 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 the 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. Minutes of the meeting of the Council shall be transmitted forthwith by the director of the Council meeting to the minutes kept by the Board.

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.

Pursuant to resolution No 3 of the Supervisory Board of ATM S.A. of 28 January 2010, tasks of the Company's Audit Committee will be performed by the Supervisory Board of ATM S.A.

The Supervisory Board of ATM S.A. is composed of five persons, and therefore its members, pursuant to Article 86 paragraph 3 of the Act of 7 May 2009 on statutory auditors and their self-government, entities authorized to audit financial statements, and public supervision, could assume the role of the Audit Committee.

Warsaw, 25 April 2012

Roman Szwed – President of the Management Board ....

Tadeusz Czichon – Vice-President of the Management Board ....

Maciej Krzyżanowski – Vice-President of the Management Board ....