

# **ATM S.A. Financial Statements**

## **for the period between January 1, 2006 and June 30, 2006**

### **Introduction to the Financial Statements**

#### **1. Company information**

- a) Name: ATM Spółka Akcyjna
- b) Principal place of business: Warszawa, ul. Grochowska 21a
- c) Registration authority: District Court for the city of Warsaw, 20<sup>th</sup> Commercial Division of the National Court Register, Register of Entrepreneurs, KRS no. 0000034947
- d) Core business:
  - 1. PKD 22.33.Z Reproduction of computer media
  - 2. PKD 30.01.Z Manufacture of office machinery
  - 3. PKD 30.02.Z Manufacture of computers and other information processing equipment
  - 4. PKD 31.20.B Provision of electricity distribution and control apparatus installation, repair and maintenance services
  - 5. PKD 31.62.A Manufacture of other electrical equipment not elsewhere classified, excluding provision of services
  - 6. PKD 31.62.B Provision of installation, repair and maintenance services not elsewhere classified
  - 7. PKD 45.21.A General construction of buildings
  - 8. PKD 45.21.C General construction of civil engineering works: pipelines, power lines, traction lines and telecommunications lines (long-distance)
  - 9. PKD 45.21.D General construction of civil engineering works: pipelines, power lines and telecommunications lines (local)
  - 10. PKD 45.31.A Installation of electrical wiring and fittings in buildings and structures
  - 11. PKD 45.31.B Installation of electrical signaling wiring and fittings
  - 12. PKD 45.31.D Installation of other electrical wiring and fittings
  - 13. PKD 45.34.Z Other building installation
  - 14. PKD 64.20.A Fixed telephony and telegraphy
  - 15. PKD 64.20.B Mobile telephony
  - 16. PKD 64.20.A Data communications and information and communications technology
  - 17. PKD 64.20.D Radio communications
  - 18. PKD 64.20.E Radio and television broadcast operation
  - 19. PKD 64.20.F Cable television operation
  - 20. PKD 64.20.G Other telecommunications services
  - 21. PKD 65.21.Z Financial leasing
  - 22. PKD 65.23.Z Other financial intermediation not elsewhere classified
  - 23. PKD 67.11.Z Administration of financial markets
  - 24. PKD 67.13.Z Activities auxiliary to financial intermediation not elsewhere classified
  - 25. PKD 70.11.Z Development and selling of real estate

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| 26. | PKD 70.12.Z | Buying and selling of own real estate  |
| 27. | PKD 70.20.Z | Letting of own property  |
| 28. | PKD 71.33.Z | Renting of office machinery and equipment                                      |
| 29. | PKD 71.34.Z | Renting of other machinery and equipment                                       |
| 30. | PKD 71.40.Z | Renting of personal and household goods  |
| 31. | PKD 72.10.Z | Hardware consultancy   |
| 32. | PKD 72.20.Z | Software consultancy and supply  |
| 33. | PKD 72.30.Z | Data processing  |
| 34. | PKD 72.40.Z | Data base activities   |
| 35. | PKD 72.50.Z | Maintenance and repair of office, accounting and computing machinery           |
| 36. | PKD 72.60.Z | Other computer related activities  |
| 37. | PKD 73.10.G | Research and development on engineering and technology                         |
| 38. | PKD 73.10.H | Research and development on other natural sciences and technology              |
| 39. | PKD 74.14.A | Business and management consultancy activities                                 |
| 40. | PKD 74.84.A | Exhibition, trade fair, congress and day conference activities                 |
| 41. | PKD 74.14.B | Business management  |
| 42. | PKD 74.20.A | Architectural and engineering activities and related technical consultancy     |
| 43. | PKD 74.30.Z | Technical testing and analysis   |
| 44. | PKD 74.40.Z | Advertising  |
| 45. | PKD 80.42.Z | Adult and other education not elsewhere classified                             |
| 46. | PKD 91.33.Z | Activities of other membership organizations not elsewhere classified          |
| 47. | PKD 92.72.Z | Other recreational activities not elsewhere classified                         |
| 48. | PKD 22.15.Z | Other publishing   |
| 49. | PKD 22.25.Z | Other activities related to printing   |
| 50. | PKD 24.65.Z | Manufacture of prepared unrecorded media                                       |
| 51. | PKD 51.64.Z | Wholesale of office machinery and equipment                                    |
| 52. | PKD 51.70.A | Other wholesale, specialized   |
| 53. | PKD 51.70.B | Other wholesale, non-specialized   |
| 54. | PKD 52.48.A | Retail sale of furniture, office equipment, computers and technology equipment |
| 55. | PKD 63.21.Z | Other supporting land transport activities                                     |

e) Industry according to the Warsaw Stock Exchange classification: Information Technology

**2. Duration of the Company: perpetual**

**3. These financial statements cover the period between January 1, 2006 to June 30, 2006; comparable data is provided for the following trading periods:**

January 1, 2005 to June 30, 2005

January 1, 2005 to December 31, 2005

**4. Governing bodies of the Company**

**Management Board:**

Roman Szwed            President

Tadeusz Czichon        Vice-President

**Supervisory Board:**

Jan Wojtyński	Chairman
Tomasz Tuchołka	Deputy Chairman
Tomasz Chiliński	Member of the Supervisory Board
Jan Madey	Member of the Supervisory Board
Zbigniew Mazur	Member of the Supervisory Board

**5. The Company does not have organizational units which draw up their own financial statements.****6. The Issuer is a dominant company with respect to:**

- ATM Services sp. z o.o. with its principal place of business in Łódź at ul. Łąkowa 29;
- ATM Mobile sp. z o.o. with its principal place of business in Warsaw at ul. Grochowska 21a;
- iloggo sp. z o.o. with its principal place of business in Warsaw at ul. Grochowska 21a;
- mPay S.A. with its principal place of business in Warsaw at ul. Grochowska 21a;
- rec-order sp. z o.o. with its principal place of business in Warsaw at ul. Grochowska 21a.

The Issuer will make its first consolidated financial statements for 2006.

**7. These statements have been made on the assumption that business operations will continue as going concern in the foreseeable future. There are no circumstances which would threaten the going concern status of the Company's business.****8. Comparability of financial statements**

In these financial statements for the period between January 1, 2006 and June 30, 2006, certain general and administrative costs have been reassigned to manufacturing costs of products sold. However, this does not follow from changes in the Issuer's operations; the modification is due to the financial statements being audited by a different company. According to the current auditor, two types of expenses, i.e.

- remuneration of the Company's engineering personnel, and
- depreciation of the communications network

should be classified as manufacturing costs of products rather than general and administrative costs (as was previously the case). Therefore, the Company has shown costs calculated in the above manner for the first half of 2006, while for the first half of 2005, the amount of PLN 5,381,000 has been reassigned from general and administrative costs to manufacturing costs of products sold.

**9. Adjustments due to qualified opinions of certified auditors**

No adjustments have been made in these financial statements and the associated comparable financial data due to qualified opinions of certified auditors with respect to financial statements for the years covered by such financial statements and comparable financial data.

**10. Description of the accounting principles (policy) applied, including methods for the valuation of assets, liabilities, revenues and costs, the determination of the financial result, and the generation of the financial statements and comparable data**

**Tangible assets, intangible assets**

Fixed assets and intangible assets are valued at purchase prices or production costs and enhancement and upgrade costs, less depreciation or amortization charges and impairment charges.

Fixed assets under construction include fixed assets which are being constructed or assembled, as well as existing assets being upgraded. These assets are valued on the basis of the overall costs closely related to their acquisition or production.

Leased fixed assets or intangible assets acquired for use under leasing agreements are considered fixed assets if the respective agreement meets the requirements of the relevant act.

Assets are depreciated using the straight line method, and depreciation periods and annual depreciation rates are determined on the basis of each fixed asset's or intangible asset's period of business usability. Depreciation periods and rates are validated on a periodical basis.

The Company applies the following annual depreciation rates for primary fixed asset groups:

Buildings and premises, civil engineering facilities	2% to 10%
Technology equipment and machinery	5% to 25%
Means of transportation	14.3%

Annual depreciation rates for intangible assets are as follows:

Computer software licenses	50%
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Fixed assets under construction and land (including the right of perpetual usufruct of land) are not depreciated.

**Long-term investments**

Long-term investments, such as stocks, shares and other securities purchased for economic gain, are valued at purchase prices less impairment charges.

**Short-term investments**

Financial assets considered short-term investments are qualified as marketable financial assets. These include corporate bonds and treasury bonds, and are valued at fair value.

**Inventory**

Inventory is valued at actual purchase prices which cannot exceed the net selling price.

**Receivables**

Receivables are valued according to the amount payable, taking into account prudent valuation method, and are listed as net values (less write-downs).

The amount of receivables is subject to revaluation depending on the probability of payment by making a write-down. Foreign currency receivables as at the balance sheet date are valued according to the average exchange rate for a given currency published by the National Bank of Poland for that date.

**Short-term financial assets**

Financial assets include domestic legal tenders, foreign currencies and corporate or Treasury bonds classified as marketable financial assets, as well as interest accrued on financial assets. Foreign currencies as at the balance sheet date are valued according to the average exchange rate published by the National Bank of Poland for that date. Marketable financial assets are valued at fair value.

**Short-term prepayments**

Short-term prepayments apply to the costs incurred with respect to future reporting periods.

Short-term prepayments are written off over time as appropriate. The timing and method of settlement depends on the type of costs being settled, taking into account the prudent valuation principle.

**Shareholders' equity**

Shareholders' equity is established by the Company according to applicable laws, i.e. the relevant acts and the Articles of Association.

Share capital is quoted at a nominal value as defined in the Articles of Association and listed in the National Court Register.

**Provisions for liabilities**

Provisions for liabilities are valued at a reasonable amount assessed in a reliable manner. [The Company does not establish provisions for anniversary awards and severance payments due to the low average age of staff, and does not provide for such payments in its internal remuneration policies.](#)

Provisions are established for certain or highly probable future liabilities the value of which can be assessed in a reliable manner.

**Liabilities**

Financial liabilities as at the balance sheet date are valued at the depreciated cost using the effective interest rate.

Liabilities other than financial liabilities are shown in the amount payable.

Foreign currency liabilities as at the balance sheet date are converted into PLN according to the average exchange rate of a given currency determined by the National Bank of Poland for that date.

**Short-term accruals**

Short-term accruals are settled in the amount of probable liabilities for a current reporting period, including without limitation liabilities for:

1. services provided to the Company by its suppliers if the amount of the liability can be assessed in a reliable manner;
2. the requirement to perform future services to unknown parties in relation to ongoing business operations the amount of which can be estimated despite the fact that the liability origination date is not yet known, including warranty repairs and implied warranties of merchantability for long-life products sold.

Deferred income is settled in accordance with the prudent valuation principle, and includes without limitation the equivalent of funds received or due from suppliers for services to be performed during future reporting periods.

**Provisions for unused employee leave**

The Company maintains records of the employees' holiday leave on an annual basis, and establishes provisions for unused leave once a year, at the end of each fiscal year. Due to the seasonality of the Company's operations, the fact that the provisions are not revaluated semi-annually does not misrepresent the Company's financial position for a period of six months of a fiscal year.

**Net revenue on sales and deductible items**

Net revenue on sales is accounted for at the time products are delivered or services are provided. With respect to services which are performed over more than six months, and which have been provided to a significant degree as of the balance sheet date, the revenue as at the balance sheet date is determined on a pro-rata basis according to the degree of service provision. Sales are shown as a net value, i.e. excl. VAT and any discounts granted.

The sales revenue shown in the profit and loss account has been presented by volume of sales allocated to appropriate reporting periods, determined based on invoices issued and

acknowledged by customers, and based on the degree of service progress calculated with respect to services performed over more than six months.

Sales-related tax deductible items include expenses stemming from the Company's primary operations, excluding other operating expenses, financial expenses and extraordinary losses. These expenses include VAT only to the extent it is not deductible pursuant to applicable laws.

Both revenues and deductible items are allocated to appropriate reporting periods to which they apply, regardless of the date on which any payment is received or made.

The Issuer maintains records of costs related to core operations by category, where extended symbols of individual accounts allow the extraction of a breakdown of costs by function.

#### **Other operating revenue and expenses**

Other operating revenue and expenses are the total revenue and expenses which are not closely associated with standard operations, and which impact the net profit.

#### **Financial revenue and expenses**

Financial revenue and expenses are the results of the Issuer's financial operations. Financial revenue includes interest on funds in bank accounts and FX gains, whereas financial expenses consist of FX losses, interest paid and bank fees. FX gains/losses are shown in the profit and loss account.

#### **Extraordinary gains and losses**

Extraordinary gains and losses include only the impact of events which are difficult to predict, which originate once outside the Company's standard business operations, and which are not related to the general risk associated with such business operations.

#### **Obligatory charges on net profit**

Obligatory charges on net profit include CIT and equivalent payments made pursuant to separate regulations. Income tax includes the current portion and deferred portion, which is the difference between the opening balance and closing balance of provisions and assets due to deferred income tax.

#### **Rules for the calculation of net profit**

Net profit is calculated according to the provisions of Articles 4 to 8 of the Accounting Act. The Company draws up comparative profit and loss account. For the purposes of the financial statements, the comparative version was transformed into breakdown of costs by function.

#### **Deferred income tax**

Due to temporary differences between the values of assets and liabilities listed in accounting ledgers and their tax value, as well as the tax loss deductible in the future, a provision is made with deferred income tax assets.

Deferred income tax assets are established in the amount to be deducted from income tax in the future due to negative temporary differences which will cause a future decrease in the basis for the calculation of income tax and deductible tax loss determined in accordance with the prudent valuation principle.

The provision for deferred income tax is established in the amount of the income tax to be paid in the future due to the existence of positive temporary differences, i.e. differences which will increase the basis for the calculation of income tax in the future.

The amount of the provision for deferred income tax and deferred income tax assets is determined taking into account the income tax rates in effect in the year subject to taxation.

The difference between the opening balance and closing balance of provisions and assets due to deferred income tax affects the net profit, whereby deferred income tax provisions and assets regarding operations settled with shareholders' equity also concern shareholders' equity.

#### **Generation of the financial statements and comparable data**

The financial statements are made on the closing date of accounting ledgers. The financial statements consist of the following items:

- balance sheet;
- profit and loss account (comparative version);
- notes including introduction to the financial statements and additional information and explanations;
- statement of changes in shareholders' equity;
- cash flow account (indirect method).

The financial statements are drawn up in Polish using PLN. The accounting principles adopted by the Company are applied consistently, with identical business operation grouping, asset/liability valuation, net profit calculation and financial statements generation applied to all fiscal years to ensure the comparability of information for consecutive years.

## 11. Average exchange rates of PLN to EUR

During the period covered by the financial statements and comparable data, the average exchange rates of PLN to EUR as determined by the National Bank of Poland were as follows:

Period	Average exchange rate during the period <sup>1)</sup>	Minimum exchange rate during the period <sup>2)</sup>	Maximum exchange rate during the period <sup>3)</sup>	Exchange rate on the last day of the period
January 1, 2006 to June 30, 2006	3.9002	3.7565	4.1065	4.0434
January 1, 2005 to December 31, 2005	4.0233	3.8223	4.2756	3.8598
January 1, 2005 to June 30, 2005	4.0805	3.8839	4.2756	4.0401

<sup>1)</sup> Arithmetic mean of exchange rates in effect on the last day of each month during the period.

<sup>2)</sup> Exchange rate tables:

1. 36/A/NBP/2006;
2. 240/A/NBP/2005;
3. 46/A/NBP/2005.

<sup>3)</sup> Exchange rate tables:

1. 122/A/NBP/2006;
2. 83/A/NBP/2005;
3. 83/A/NBP/2005.

## 12. Key financial statements and comparable data items converted to EUR

### 12.1. Key balance sheet items

Data (in thou)		June 30, 2006		December 31, 2005		June 30, 2005	
		PLN	EUR	PLN	EUR	PLN	EUR
	<b>Total assets</b>	106,478	26,334	126,653	32,813	83,277	20,613
I	Fixed assets	50,992	12,611	40,419	10,472	58,891	14,577
II	Current assets	55,486	13,723	86,234	22,341	24,386	6,036
	<b>Total liabilities</b>	106,478	26,334	126,653	32,813	83,277	20,613
I	Shareholders' equity	75,092	18,572	75,813	19,642	57,003	14,109
II	Liabilities and provisions for	31,386	7,762	50,840	13,172	26,274	6,503

liabilities						
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1. For the calculation of balance sheet data as at the last day of the reporting period, i.e. June 30, 2006, the exchange rate of EUR determined by the National Bank of Poland for that date was used (PLN 4.0434 to EUR 1).
2. For the calculation of balance sheet data as at the last day of the comparable period, i.e. December 31, 2005, the exchange rate of EUR determined by the National Bank of Poland for that date was used (PLN 3.8598 to EUR 1).
3. For the calculation of balance sheet data as at the last day of the comparable period, i.e. June 30, 2005, the exchange rate of EUR determined by the National Bank of Poland for that date was used (PLN 4.0401 to EUR 1).

## 12.2. Key profit and loss account items

Data (in thou)		January 1, 2006 to June 30, 2006		2005		January 1, 2005 to June 30, 2005	
		PLN	EUR	PLN	EUR	PLN	EUR
I	Net revenue on sales of products, goods and materials	57,090	14,638	119,551	29,715	50,462	12,367
II	Cost of products, goods and materials sold	39,160	10,041	74,033	18,401	30,362	7,441
III	Gross profit (loss) on sales	17,931	4,597	45,518	11,314	20,100	4,926
IV	Selling costs	416	107	880	219	389	95
V	General and administrative costs	13,728	3,520	37,777	9,390	18,738	4,592
VI	Profit (loss) on sales	3,787	971	6,861	1,705	972	238
VII	Other operating revenue	2,090	536	17,059	4,240	491	120
VIII	Other operating expenses	1,992	511	1,151	286	374	92
IX	Profit (loss) on operating activities	3,885	996	22,770	5,659	1,089	267
X	Financial revenue	451	116	1,101	274	197	48
XI	Financial expenses	1,325	340	901	224	490	120
XII	Gross profit (loss) on business activities	3,010	772	22,970	5,709	796	195
XIII	Result on extraordinary events	0	0	0	0	0	0
XIV	Gross profit (loss)	3,010	772	22,970	5,709	796	195
XV	Income tax	607	156	3,720	925	356	87
XVI	Other obligatory reductions in profit (increases in loss)	0	0	0	0	0	0
XVII	Net profit (loss)	2,403	616	19,250	4,785	440	108

1. For the recalculation of data in the profit and loss account during the period between



January 1, 2006 and June 30, 2006, the average EUR exchange rate calculated as the arithmetic mean of exchange rates in effect on the last day of each month as determined by the National Bank of Poland has been used, i.e. PLN 3.9002 to EUR 1.

2. For the recalculation of data in the profit and loss account during the period between January 1, 2006 and December 31, 2005, the average EUR exchange rate calculated as the arithmetic mean of exchange rates in effect on the last day of each month as determined by the National Bank of Poland has been used, i.e. PLN 4.0233 to EUR 1.
3. For the recalculation of data in the profit and loss account during the period between January 1, 2005 and June 30, 2005, the average EUR exchange rate calculated as the arithmetic mean of exchange rates in effect on the last day of each month as determined by the National Bank of Poland has been used, i.e. PLN 4.0805 to EUR 1.

### 12.3. Key cash flow account items

Data (in thou)		January 1, 2006 to June 30, 2006		2005		January 1, 2005 to June 30, 2005	
		PLN	EUR	PLN	EUR	PLN	EUR
A.	Net cash flows from operating activities	3,230	828	12,510	3,109	7,498	1,838
B.	Net cash flows from investment activities	15,623	4,006	-11,182	-2,779	-5,653	-1,385
C.	Net cash flows from financial activities	-15,423	-3,954	-3,043	-756	-2,233	-547
D.	Net cash flows	3,430	879	-1,715	-426	-388	-95
E.	Change in net cash and cash equivalents	3,430	848	-1,715	-444	-388	-96
F.	Opening balance of cash	1,801	467	3,516	862	3,516	862
G.	Closing balance of cash	5,232	1294	1,801	467	3,128	774

1. For the conversion of cash flow account data during the period between January 1, 2006 and June 30, 2006, the following exchange rates have been used:
  - a. for cash flows from each type of activities: the average exchange rate calculated as the arithmetic mean of exchange rates in effect on the last day of each month as determined by the National Bank of Poland, i.e. PLN 3.9002 to EUR 1;
  - b. for the change in net cash and cash equivalents and closing balance of cash: the exchange rate in effect on June 30, 2006, i.e. PLN 4.0434 to EUR 1;
  - c. for the opening balance of cash: the exchange rate in effect on December 31, 2005, i.e. PLN 3.8598 to EUR 1.
2. For the conversion of cash flow account data during the comparable period between January 1, 2005 and December 31, 2006, the following exchange rates have been used:
  - a. for cash flows from each type of activities: the average exchange rate calculated as the arithmetic mean of exchange rates in effect on the last day of each month as determined by the National Bank of Poland, i.e. PLN 4.0233 to EUR 1;
  - b. for the change in net cash and cash equivalents and closing balance of cash: the exchange rate in effect on December 31, 2005, i.e. PLN 3.8598 to EUR 1;
  - c. for the opening balance of cash: the exchange rate in effect on December 31, 2004, i.e. PLN 4.0790 to EUR 1.

3. For the conversion of cash flow account data during the comparable period between January 1, 2005 and June 30, 2006, the following exchange rates have been used:
  - a. for cash flows from each type of activities: the average exchange rate calculated as the arithmetic mean of exchange rates in effect on the last day of each month as determined by the National Bank of Poland, i.e. PLN 4.0805 to EUR 1;
  - b. for the change in net cash and cash equivalents and closing balance of cash: the exchange rate in effect on June 30, 2005, i.e. PLN 4.0401 to EUR 1;
  - c. for the opening balance of cash: the exchange rate in effect on December 31, 2004, i.e. PLN 4.0790 to EUR 1.

**13. Indication and explanation of discrepancies in the values of data provided and important differences between the accounting principles (policy) applied and IAS or GAAP, as appropriate, pursuant to the Regulation of the Council of Ministers of October 16, 2001 on the specific terms and conditions to be met by a prospectus and abridged prospectus (Journal of Laws No. 139, Item 1568, and Journal of Laws, No. 36/2002, Item 328)**

Pursuant to the provisions of Section 18, Subsection 2 of the Regulation of the Council of Ministers on the specific terms and conditions to be met by a prospectus and abridged prospectus, the Company should present the reconciliation of the net profit and shareholders' equity (net assets) according to the financial statements generated pursuant to accounting regulations in effect in Poland with such data as would be included in the financial statements generated pursuant to International Financial Reporting Standards (IFRS). Furthermore, the Company should provide a description of significant discrepancies between the accounting principles applied in the generation of the semi-annual report with the accounting principles which would apply if the financial statements were generated according to IFRS.

Pursuant to regulations applicable to public companies in the European Union, such companies are required to draw up consolidated financial statements compliant with IAS for the fiscal year beginning on January 1, 2005. For 2005, the Company had no grounds to draw up a consolidated financial statements. In 2006, it acquired majority stakes in several companies, thus becoming a dominant entity with respect to them. In line with Section 14 of IAS 14 (whereunder consolidated mid-year financial report is made if the last annual financial statements of a business entity were consolidated financial statements"), as of June 30, 2006, the Company was not required to draw up consolidated financial statements. The first IAS-compliant consolidated financial statements will be drawn up as at December 31, 2006.

In developing this document, the Company's Management Board used its best knowledge of standards and interpretations, facts and circumstances, and accounting principles which apply in the drawing up of IAS-compliant financial statements. As a result of the analysis performed, no significant discrepancies between the accounting principles adopted by the Company and IAS were found as at June 30, 2006.

Nevertheless, although the analysis of potential discrepancies was performed on the basis of the Management Board's best knowledge of IAS regulations and current facts and circumstances, the above factors may be subject to change. Therefore, until the Company draws up its first fully IAS-compliant financial statements and finally determines the date to transition to IAS as defined in IFRS 1, a possibility exists that the information presented may change.

**BALANCE SHEET**

	Notes	PLN thou		
		H1 2006	2005	H1 2005
<b>ASSETS</b>				
I. Fixed assets		50,992	39 837	58,891
1. Intangible assets, including:	1	427	273	340
2. Tangible fixed assets	2	48,773	38 302	57,122
3. Long-term receivables	3 8	160	339	672
3.1. From other entities		160	339	672
4. Long-term investments	4	1,105	54	54
4.1. Long-term financial assets		1,105	54	54
a) In affiliates and subsidiaries, including:		1,105	54	54
- Stocks or shares in subordinated entities based on the equity method		1,105		
5. Long-term prepayments	5	528	869	703
5.1. Deferred income tax assets		402	580	504
5.2. Other prepayments		126	290	199
II. Current assets		55,486	86 816	24,876
1. Inventory	6	2,634	2 364	3,384
2. Short-term receivables	7 8	26,698	80 313	13,459
2.1. From affiliates and subsidiaries		1,319		
2.2. From other entities		25,379	80 313	13,459
3. Short-term investments		23,714	1 801	6,111
3.1. Short-term financial assets	9	23,714	1 801	6,111
a) In affiliates and subsidiaries		200		
b) In other entities		18,282		2,983
c) Cash and cash equivalents		5,232	1 801	3,128
4. Short-term prepayments	10	2,440	2 338	1,921
Total assets		106,478	126 653	83,767
<b>LIABILITIES</b>				
I. Shareholders' equity		75,092	75 813	57,003
1. Initial capital	12	24,526	24 526	24,526
2. Supplementary capital	13	20,990	20 987	20,987
3. Revaluation reserve	14	3,812		
4. Other reserve capitals	15	23,362	11 050	10,878
5. Profit (loss) from previous years		0	0	173
6. Net profit (loss)		2,403	19 250	440
II. Liabilities and provisions for liabilities		31,386	50 840	26,764
1. Provisions for liabilities	16	1,953	1 442	931
1.1. Provision for deferred income tax		1,953	1 442	931
2. Long-term liabilities	17	4,528	2 562	14,481
2.1. To other entities		4,528	2 562	14,481
3. Short-term liabilities	18	23,373	43 818	10,552
3.1. To affiliates and subsidiaries		60	162	93
3.2. To other entities		23,137	43 469	10,252
3.3. Special funds		175	187	207
4. Accruals	19	1,531	3 019	800
4.1. Other accruals		1,531	3 019	800
a) Long-term		17	50	56
b) Short-term		1,514	2 969	744
Total liabilities		106,478	126 653	83,767
Book value				
Number of shares (units)				
Book value per share (PLN)	20			
Diluted shares (units)				

Diluted book value per share (PLN)	20			
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**OFF-BALANCE-SHEET ITEMS**

	Notes	PLN thou		
		H1 2006	2005	H1 2005
1. Contingent receivables		291	291	291
1.1. From other entities		291	291	291
- Compensation		291	291	291
2. Contingent liabilities		4,189	28,268	30,410
2.1. To other entities		4,189	28,268	30,410
- Guarantees and sureties		4,189	4,718	4,860
- Mortgages			23,550	23,550
- Pledges				2,000
Total off-balance-sheet items		4,480	28,559	30,701

**PROFIT AND LOSS STATEMENT**

	Notes	PLN thou	
		H1 2006	H1 2005
I. Net revenue on sales of products, goods and materials, including:		57,090	50,462
- From affiliates and subsidiaries		299	13
1. Net revenue on sales of products	21	32,009	32,457
2. Net revenue on sales of goods and materials	22	25,082	18,005
II. Cost of products, goods and materials sold, including:		39,160	30,362
- To affiliates and subsidiaries		8	3
1. Manufacturing costs of products sold	23	20,603	20,709
2. Value of goods and materials sold		18,556	15,033
III. Gross profit (loss) on sales		17,931	14,720
IV. Selling costs	23	416	158
V. General and administrative costs	23	13,728	13,590
VI. Profit (loss) on sales		3,787	972
VII. Other operating revenue		2,090	491
1. Proceeds from disposal of non-financial fixed assets		11	5
2. Other operating revenue	24	2,079	486
VIII. Other operating expenses		1,992	374
1. Loss on disposal of non-financial fixed assets		0	
2. Revaluation of non-financial fixed assets		87	
3. Other operating expenses	25	1,905	374
IX. Profit (loss) on operating activities		3,885	1,089
X. Financial revenue	26	451	197
1. Interest, including:		451	197
Other		0	
XI. Financial expenses	27	1,325	490
1. Interest, including:		48	318
2. Other		1,278	172
XII. Profit (loss) on business activities		3,010	796
XIII. Gross profit (loss)		3,010	796
XIV. Income tax	28	607	356
a) Current		684	
b) Deferred		-76	356
XV. Net profit (loss)		2,403	440
Net profit (loss), annualized		4,805	880
Weighted average of ordinary shares (units)		3,227,040	3,227,040
Profit (loss) per ordinary share (PLN)	30	1.49	0.27
Weighted average of diluted ordinary shares (units)		3,227,040	3,227,040
Diluted profit (loss) per ordinary share (PLN)	30	1.49	0.27

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	PLN thou		
	H1 2006	2005	H1 2005
I. Opening balance of shareholders' equity	75,813	56,563	56,563
I.a. Opening balance of shareholders' equity after reconciliation with comparable data	75,813	56,563	56,563
1. Opening balance of initial capital	24,526	24,526	24,526
1.1. Closing balance of initial capital	24,526	24,526	24,526
2. Opening balance of supplementary capital	20,987	20,987	20,986
2.1. Changes in supplementary capital	3		
a) Increases (due to)	3		
-	3		
2.2. Closing balance of supplementary capital	20,990	20,987	20,986
3. Opening balance of revaluation reserve	0		
3.1. Changes in revaluation reserve	3,812		
a) Increases (due to)	3,814		
-	3,814		
b) Decreases (due to)	2		
- Disposal of fixed assets	2		
3.2. Closing balance of revaluation reserve	3,812		
4. Opening balance of other reserve capitals	11,050	3,315	3,315
4.1. Changes in other reserve capitals	12,312	7,736	7,563
a) Increases (due to)	12,312	7,736	7,563
- Profit distribution	12,312	7,736	7,563
4.2. Closing balance of other reserve capitals	23,362	11,050	10,878
5. Opening balance of profit (loss) from previous years	19,250	7,736	7,736
5.1. Opening balance of profit from previous years	19,250	7,736	7,736
5.2. Opening balance of profit from previous years after reconciliation with comparable data	19,250	7,736	7,736
a) Decreases (due to)	19,250	7,736	7,563
- Items transferred to reserve capital	12,312	7,736	7,563
- Dividend payout	6,938		
5.3. Closing balance of profit from previous years	0	0	173
5.4. Closing balance of profit (loss) from previous years	0	0	173
6. Net result	2,403	19,250	440
a) Net profit	2,403	19,250	440
II. Closing balance of shareholders' equity	75,092	75,813	57,003
III. Shareholders' equity including proposed profit distribution (loss coverage)	75,092	68,875	57,003

### CASH FLOW STATEMENT

	PLN thou	
	H1 2006	H1 2005
A. Cash flows from operating activities		
I. Net profit (loss)	2,403	440
II. Total adjustments	828	7,058
1. Share of entities based on the equity method in profit (loss)	0	0
2. Amortization and depreciation	2,668	2,874
3. FX gains (losses)	-2	-338
4. Interest and profit sharing (dividend)	959	266
5. Profit (loss) on investment activities	-139	13
6. Change in provisions	515	171
7. Change in inventory	-270	674
8. Change in receivables	14,042	14,301
9. Change in short-term liabilities excluding credits and loans	-15,387	-7,986
10. Change in prepayments and accruals	-1,558	-2,917
11. Other adjustments	0	0
III. Net cash flows from operating activities (I+/-II), indirect method	3,230	7,498

B.	Cash flows from investment activities		
I.	Proceeds	42,997	904
1.	Disposal of intangible assets and tangible fixed assets	42,698	360
2.	Disposal of investments in real property and intangible assets	0	0
3.	From financial assets, including:	296	530
a)	In affiliates and subsidiaries	0	0
-	Sales of financial assets	0	0
-	Dividends and profit sharing	0	0
-	Repayment of long-term loans granted	0	0
-	Interest	0	0
-	Other proceeds from financial assets	0	0
b)	In other entities	296	530
-	Sales of financial assets	0	425
-	Dividends and profit sharing	0	0
-	Repayment of long-term loans granted	0	0
-	Interest	296	105
-	Other proceeds from financial assets	0	0
4.	Other investment proceeds	2	14
II.	Expenses	27,373	6,557
1.	Purchase of intangible assets and tangible fixed assets	7,836	6,522
2.	Investments in real property and intangible assets	0	0
3.	For financial assets, including:	19,333	0
a)	In affiliates and subsidiaries	1,051	0
-	Purchase of financial assets	0	0
-	Long-term loans granted	0	0
b)	In other entities	18,282	0
-	Purchase of financial assets	18,282	0
-	Long-term loans granted	0	0
4.	Other investment expenses	205	35
III.	Net cash flows from investment activities (I-II)	15,623	-5,653
C.	Cash flows from financial activities		
I.	Proceeds	297	277
1.	Net proceeds from the draw up of shares and other capital instruments and from capital contributions	0	0
2.	Credits and loans	0	0
3.	Issue of debt securities	0	0
4.	Other financial proceeds	297	277
II.	Expenses	15,720	2,510
1.	Purchase of treasury shares	0	0
2.	Dividends and other payments to shareholders	0	0
3.	Profit distribution expenses other than payments to shareholders	0	0
4.	Repayment of credits and loans	13,683	1,555
5.	Redemption of debt securities	0	0
6.	Other financial expenses	0	0
7.	Payment of liabilities arising from financial leases	709	520
8.	Interest	1,255	371
9.	Other financial expenses	72	64
III.	Net cash flows from financial activities (I-II)	-15,423	-2,233
D.	Net cash flows, total (A.III+/-B.III+/-C.III)	3,430	-388
E.	Change in net cash and cash equivalents, including:	3,430	-388
-	Change in cash due to FX gain/loss	0	0
F.	Opening balance of cash	1,801	3,516
G.	Closing balance of cash (F+/-D), including:	5,232	3,128
-	Restricted cash	76	32

## NOTES AND EXPLANATIONS

**A. EXPLANATORY NOTES**  
**EXPLANATORY NOTES TO THE BALANCE SHEET**

**Note 1a**

INTANGIBLE ASSETS	PLN thou		
	H1 2006	2005	H1 2005
a) R & D expenses	169	202	253
b) Franchises, patents, licenses and similar assets, including:	258	71	88
- Computer software	258	71	88
Intangible assets, total	427	273	340

## MANAGEMENT BOARD REPORT ON ATM S.A. OPERATIONS DURING THE FIRST HALF OF 2006

During the first half of 2006, ATM S.A. recorded sales revenue of PLN 57,090,000, operating profit of PLN 3,885,000, and net profit of PLN 2,403,000. These results mark a significant improvement over the first half of 2005. While the sales revenue only rose by 13%, the operating profit increased more than 3.5 times, and net profit grew more than fivefold.

The Company's improving performance testifies to the validity of the strategy it adopted in order to increase revenue from the sales of telecommunications services being a unique combination of communications, system integration and software competences.

Furthermore, the Company has been successful in the implementation of its plans covering the entire 2006. Importantly, the Company typically achieves a majority of its profit on sales during the fourth quarter of the year, and a similar pattern is expected this year. Also, the Company plans to perform a transaction classified as other operating revenue in the fourth quarter, allowing it to achieve a significant increase in profit over the preceding year.

In 2006, the Company will draw up its first financial statements compliant with International Accounting Standards (IAS). Laying the foundation for the implementation of IAS in its financial statements, starting from the first quarter of 2006, the Company began to generate quarterly consolidated reports taking into account the statements of all subsidiaries. While the impact of such statements on ATM S.A.'s individual statement is insignificant due to the small size of these subsidiaries, the Company provides such information in its quarterly statements for the benefit of investors.

With the preparation for the full implementation of International Accounting Standards, the Company also commenced the valuation of its fixed assets as at the end of 2005. In the Company's view, this was necessary because certain fixed assets used by the Company had been fully depreciated pursuant to the accounting standards applied to date, and therefore they were listed with book values of 0 with no depreciation being calculated. This could not continue as IAS require that fixed assets be valued at fair value. The valuation of fixed assets at fair value for the purpose of mid-year reports was performed according to the Company's best knowledge, taking into account data regarding each asset's period of use to date, and the possible future use by the Company. As a result of this operation, the balance sheet value of fixed assets was increased by PLN 4,580,000 (i.e. 7.9% of their value to date at purchase prices), and the value was then carried over to revaluation reserve. This operation did not affect the Company's profit and loss account. The Company expects that, towards the end of 2006, further fixed asset valuation according to fair value will be performed on the basis of an expert opinion for the purposes of the 2006 consolidated financial statements. In the review of the semi-annual financial statements, the auditor stated that as a result of the Company's valuation of fixed assets, the value of fixed assets and equity was 'inflated' by the above amount, since the valuation should not have been performed by the Company using Polish Accounting Standards (i.e. this operation should be performed after the full implementation of IAS). The Company does not share this view as it has the duty to inform its shareholders of its financial position in the most detailed and reliable manner possible at that time.

The first half of the year was a very active period in ATM S.A.'s history, and activities commenced in order to establish the ATM group of companies. The first steps in that direction involved ATM's acquisition or taking up of shares in new technology companies which operate in areas coinciding with ATM's core business. At present, ATM S.A. has direct or indirect stakes in the following companies:

- ATM Services sp. z o.o.;
- mPay S.A.;
- rec-order sp. z o.o.;
- iloggo sp. z o.o.;
- ATM Services sp. z o.o.;
- Cineman sp. z o.o.



The financing mix of the group and the business profiles of each company were presented in quarterly reports. Additionally, the aforementioned companies have only just began their operations, and a significant impact on ATM's performance at the consolidated level can only be expected in the next few years. Their goal is to create and market new technology products, and to gain a significant market share. ATM S.A. can also reap significant gains from capital investments into these companies sooner by selling parts of its stakes to industry investors.

During the last six months, the Company has been particularly successful in a number of areas as described in detail in quarterly reports.

It has been steadily strengthening its technology partner relationship with CISCO, and gaining new ground as a contractor for difficult integration projects overlapping information technology and telecommunications. Also, the recent partnership with Dell provides excellent opportunities for ATM, in particular considering the Dell's new plans to build a factory in Poland. This is likely to have a favorable influence on the collaboration between ATM and its international partner.

The Company has also been steadily developing its telecommunications network throughout Poland, becoming an increasingly prominent provider of value-added communications services. During this year, the related capital expenditure has exceeded PLN 20 million. With the upgrade of its telecommunications network, the Company has been strengthening its hold on the high-quality telecommunications service provider market.

Growth through innovation and technical excellence provide a foundation for the Company's product policy. During the last six months, ATM S.A. has enhanced its communications portfolio as part of the ATMAN carrier business with ATM RAIL.Internet, a service designed for customers who require high-reliability broadband (99.99% availability).

Additionally, the Company has launched an innovative project to establish and develop a multimedia platform for video-on-demand services. Through a strategic alliance with Monolith Films Sp. z o.o., Cineman Sp. z o.o. was established. ATM S.A.'s role in the partnership is to provide secure technology which will allow telecommunications providers (and their subscribers) to access film content, while Monolith Films contributes content: a database containing all of the major, international cinematic productions. While VoD services are already available in a large number of countries worldwide, this is a pioneering initiative in Poland, and the first benefits for the Company should be evident before the end of 2007.

The quality and usability of the Company's products have been appreciated by industry media. During the first half of the year, ATM S.A. received a number of awards in recognition of its competence and track-record in innovative use of information technology, including:

- "Złota Antena" ("Gold Antenna") in the "Fixed business solution" category for ATM Indoor TV from the *Świat Telekomunikacji* magazine published by Migut Media;
- the *Teleinfo* "Złoty Procesor" ("Gold Processor") award for ATM Atmosfera in the "Management support application" category (Atmosfera is a modular business process support system for IT departments, and has been implemented at such companies as PTC Sp. z o.o., PLL LOT, Agora SA and Getronics Polska).

The Company itself has also been recognized by the Polish Institute of Directors with the "Four Stars" award for efficiency in the implementation of corporate governance best practices as part of the 3<sup>rd</sup> "Spółka Godna Zaufania" ("Trustworthy Company") ranking in 2006, and ATM S.A.'s financial achievements were noticed by the "Perły Polskiej Giełdy" ("Pearls of Polish Stock Exchange") award committee. In this year's ranking, ATM S.A. was voted the best technology company.

The Company's financial position is excellent, with low debt to shareholders' equity. Relationships with customers are excellent, and the quality of services provided consistently receive top ratings, resulting in a strong proportion of repeat business. The Company also has no significant issues with the collection of receivables from customers, and its overall liquidity is very good.

The Company's Management Board does not perceive measurable risks to the Company's operations and development. The most important factor which determines ATM S.A.'s ability to achieve the planned goals over the next few quarters is political stabilization in Poland, which would facilitate unrestricted economic growth and the execution of the significant information and communications technology contracts predicted, including but not limited to

telecommunications outsourcing.

Pursuant to Section 100, Subsection 1, Item 3 of the Regulation of the Council of Ministers on ongoing and periodic information provided by issuers of securities, the Company's Management Board would like to point out that the amount of remuneration of the Company's management and supervisory personnel is provided in Additional explanatory note 10 to the Financial Statements.

**ATM S.A. Management Board**

Roman Szwed

Tadeusz Czichon