



ATM S.A. GROUP OF COMPANIES

CONSOLIDATED HALF-YEAR REPORT AS AT JUNE 30, 2007

(figures in PLN thousands)

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FINANCIAL HIGHLIGHTS

	Jun 30, 2007	Jun 30, 2006	Jun 30, 2007	Jun 30, 2006
	PLN thousand		EUR thousand	
Total sales revenue	84,936	55,774	22,069	14,305
Operating profit (loss)	(225)	1,349	(58)	346
Profit (loss) before tax	(26)	1,577	(7)	404
Net profit (loss) of parent undertaking shareholders	(21)	1,383	(5)	355
Net cash from operating activities	(9,054)	1,716	(2,353)	440
Net cash from financial activities	9,721	(13,610)	2,526	(3,490)
Net cash from investment activities	(4,050)	15,753	(1,052)	4,039
Increase (decrease) in cash	(3,383)	3,859	(879)	989
	Jun 30, 2007	Dec 31, 2006	Jun 30, 2007	Dec 31, 2006
	PLN thousand		EUR thousand	
Fixed assets	102,964	78,702	27,342	20,542
Current assets	57,811	91,590	15,352	23,906
Total assets	160,775	170,292	42,693	44,448
Long-term liabilities	13,723	8,104	3,644	2,116
Short-term liabilities	67,119	66,653	17,823	17,397
Equity	79,933	95,535	21,226	24,936
Share capital*	25,093	24,572	6,663	6,414
Parent undertaking shareholders' equity	74,963	92,923	19,906	24,254
Number of shares	3,295,642	3,227,040	3,295,642	3,227,040
Book value per share (PLN/EUR)	22.75	28.79	6.04	7.52
Diluted book value per share (PLN/EUR)	22.75	30.62	6.04	8.00

* Share capital restated in accordance with IAS 29.

The above financial data as at June 30, 2007 have been converted into EUR according to the following principles:

- individual items of assets and liabilities were converted at the average rate published by the National Bank of Poland as at June 30, 2007, which was 3.7658 PLN/EUR;
- individual items of the consolidated profit and loss account and consolidated cash flow statement were converted at the rate equal to the arithmetic mean of average rates determined by the National Bank of Poland at the last day of each month of the financial period (between January 1 and June 30, 2007), which was 3.8486 PLN/EUR.

The above financial data as at June 30, 2006 have been converted into EUR according to the following principles:

- individual items of assets and liabilities were converted at the average rate published by the National Bank of Poland as at December 31, 2006, which was 3.8312 PLN/EUR;
- individual items of the consolidated profit and loss account and consolidated cash flow statement were converted at the rate equal to the arithmetic mean of average rates determined by the National Bank of Poland at the last day of each month of the financial period (between January 1 and June 30, 2006), which was 3.9002 PLN/EUR.

CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2007

KEY CONSOLIDATED REPORT DATA

This consolidated annual report contains information drawn up pursuant to Article 86, section 2 and Article 87, section 1 of the Regulation of the Minister of Finance of October 19, 2005, and includes consolidated financial statements of the ATM S.A. Group of Companies made in accordance with the International Financial Reporting Standards as approved by the European Union for the period between January 1 and June 30, 2006.

Submission date: September 27, 2007

Key Issuer details:

Full name of the Issuer: ATM S.A.

Short name of the Issuer: ATM

Sector according to Warsaw Stock Exchange classification: IT

Post code: 04-186

City: Warszawa

Street name: Grochowska

Street number: 21a

Phone: +48 22 51 56 660

Fax: +48 22 51 56 600

E-mail: inwestor@atm.com.pl

Website: www.atm.com.pl

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

Regon (statistical number): 012677986

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	NOTE	<u>End of period, June 30, 2007</u>	<u>End of period, June 30, 2006</u>
Continued operations			
Sales revenue	3	84,936	55,484
Cost of goods sold	4	65,336	38,954
Gross profit (loss) on sales		<u>19,600</u>	<u>16,530</u>
Other operating revenue	5	219	264
Selling costs	4	1,045	416
General and administrative costs	4	18,826	14,909
Other operating expenses	6	173	120
Restructuring costs		-	-
Operating profit (loss)		<u>(225)</u>	<u>1,349</u>
Financial revenue	7	829	452
Financial expenses	8	630	224
Net financial activity		<u>199</u>	<u>228</u>
Share of undertakings valued using the equity method in the financial result		-	-
Profit (loss) before tax		(26)	1,577
Income tax	9	109	239
Net profit (loss) on continued operations		<u>(134)</u>	<u>1,338</u>
Discontinued operations			
Net profit (loss) on discontinued operations		-	-
Net profit (loss)		<u><u>(134)</u></u>	<u><u>1,338</u></u>
Net profit (loss) for the Group's shareholders		(21)	1,383
Net profit (loss) for minority shareholders		(113)	(45)
Profit (loss) per share			
From continued operations:			
Ordinary		(0.01)	0.43
Diluted		(0.01)	0.43
From continued and discontinued operations:			
Ordinary		(0.01)	0.43
Diluted		(0.01)	0.43

CONSOLIDATED BALANCE SHEET – ASSETS

	<u>NOTES</u>	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Fixed assets			
Goodwill	11	13,514	10,928
Intangible assets	12	15,862	7,354
Property, plant and equipment	13	60,570	46,907
Shares in subordinated undertakings accounted for by equity method		1	1
Financial assets available for sale	14	80	80
Deferred income tax assets	9	771	684
Other fixed assets	15	12,166	12,748
		<u>102,964</u>	<u>78,702</u>
Current assets			
Inventories	16	8,808	5,437
Financial assets held for trading		-	-
Trade and other receivables	17	40,829	76,364
Income tax receivables		21	-
Other current assets	18	2,022	281
Cash and cash equivalents	19	6,131	9,508
		<u>57,811</u>	<u>91,590</u>
Fixed assets classified as held for sale		-	-
Total assets		<u>160,775</u>	<u>170,292</u>

CONSOLIDATED BALANCE SHEET – LIABILITIES

	NOTES	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Equity			
Share capital	20	25,093	24,572
Share premium account		12,038	4,558
Revaluation reserve		-	-
Treasury shares		-	-
Capital reserves		24,606	23,362
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	20	<u>13,226</u>	<u>40,431</u>
Total Group shareholders' equity		<u>74,963</u>	<u>92,923</u>
Minority share	21	<u>4,970</u>	<u>2,612</u>
Equity		<u>79,933</u>	<u>95,535</u>
Long-term liabilities			
Bank and other loans	22	2,428	-
Provisions for deferred tax		-	-
Provisions for liabilities		-	-
Trade and other liabilities	24	1,631	1,177
Other financial liabilities	26	<u>9,664</u>	<u>6,927</u>
		<u>13,723</u>	<u>8,104</u>
Short-term liabilities			
Bank and other loans	22	7,935	6,791
Provisions for liabilities	23	231	55
Income tax liabilities		164	5,922
Trade and other liabilities	25	55,048	51,061
Other financial liabilities	26	<u>3,741</u>	<u>2,824</u>
		<u>67,119</u>	<u>66,653</u>
Liabilities related directly to fixed assets classified as held for sale		<u>-</u>	<u>-</u>
Total liabilities		<u>160,775</u>	<u>170,292</u>

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total Group shareholders' equity</u>	<u>Minority share</u>	<u>Total shareholders' equity</u>
As at January 1, 2006	24,064	4,558	11,050	33,342	73,014	-	73,014
Increases:							
Current period results	-	-	-	1,383	1,383	(45)	1,338
Valuation of management options	-	-	-	11	11	-	11
Changes to the Group's structure	-	-	-	-	-	577	577
Profit distribution	-	-	12,312	-	12,312	-	12,312
Decreases:							
Profit distribution to be allocated to equity	-	-	-	12,312	12,312	-	12,312
Dividends paid out	-	-	-	6,938	6,938	-	6,938
As at June 30, 2006	24,064	4,558	23,362	15,486	67,470	532	68,002
As at January 1, 2007	24,572	4,558	23,362	40,431	92,923	2,612	95,535
Increases:							
Issue of shares	521	7,480	-	-	8,001	-	8,001
Current period results	-	-	-	-	-	-	-
Changes to the Group's structure	-	-	-	(11)	(11)	2,709	2,698
Profit distribution	-	-	1,244	-	1,244	-	1,244
Decreases:							
Current period results	-	-	-	21	21	113	134
Profit distribution to be allocated to equity	-	-	-	1,244	1,244	-	1,244
Dividends paid out	-	-	-	25,929	25,929	238	26,167
As at June 30, 2007	25,093	12,038	24,606	13,226	74,963	4,970	79,933

CONSOLIDATED CASH FLOW STATEMENT

	<u>End of period.</u>	<u>End of period.</u>
Operating activities		
Profit (loss) before tax	(35)	1,577
Adjustment (items):	(9,019)	139
Amortization and depreciation	4,302	2,830
FX gains/losses	(174)	(2)
Interest received	-	(296)
Interest paid	513	153
Dividends received	-	-
Profit (loss) on investment activities	(138)	(344)
Change in inventories	(3,376)	(271)
Change in receivables	18,054	15,190
Change in liabilities and provisions	(20,426)	(13,257)
Change in other assets	(1,466)	(774)
Income tax paid	(5,954)	(3,101)
Other	(354)	11
	<u>(9,054)</u>	<u>1,716</u>
Investment activities		
Expenses on property, plant and equipment purchases	(24,687)	(8,868)
Expenses on financial asset purchases	(2,974)	(18,170)
Revenue from property, plant and equipment sales	23,264	42,698
Revenue from financial asset sales	234	-
Interest received	117	296
Dividends received	-	-
FX gains/losses	(4)	(203)
	<u>(4,050)</u>	<u>15,753</u>
Financial activities		
Net proceeds from issue of shares	8,094	510
Subsidies received	-	-
Proceeds from loans	3,447	200
Repayment of loans	-	(13,683)
Expenses due to redemption of share capital	-	-
Payment of liabilities arising from finance leases	(1,848)	(709)
Dividends paid	(170)	-
Interest paid	(541)	(153)
Other payments from profit	-	-
FX gains/losses	(12)	(72)
Other	751	297
	<u>9,721</u>	<u>(13,610)</u>
Change in net cash and cash equivalents	<u>(3,383)</u>	<u>3,859</u>
Opening balance of cash	9,514	1,734
Closing balance of cash	<u>6,131</u>	<u>5,593</u>

ADDITIONAL NOTES

NOTE 1. BASIC INFORMATION

1. Information concerning the parent undertaking

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

The registered office of the Company is located in Warsaw at ul. Grochowska 21a. The Company operates from its registered office as well as through a branch in Katowice, which is not a self-contained accounting Company unit, however. The Company was registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The Company is registered under National Court Register entry No. KRS 0000034947.

ATM S.A. is listed on the Warsaw Stock Exchange. The ownership structure as at December 31, 2006 and June 30, 2007 has been presented in Note 20.

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

- integrated ICT infrastructure systems, including the integration of computer networks and data storage and processing systems;
- telecommunications and value added services, including Internet access for telecommunications providers and corporate customers, the lease of transmission lines, telecommunications outsourcing, colocation and other value added services;
- business security solutions and services, including technical information security solutions, backup center and office services as well as IT support for business continuity procedures;
- application solutions based on proprietary and third party software;
- multimedia solutions and services including an interactive television platform incorporating video on demand services and a point of sales advertising television platform;
- Subsidiary companies complement the above scope of services with universal mobile payment system services (currently in the deployment stage), video on demand services, IT outsourcing for small and medium-sized enterprises as well as Web 2.0 services. The scope of activities has been described in more detail in Note 3.

As at June 30, 2007, the Management Board of the parent undertaking included:

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

The Supervisory Board as at June 30, 2007 included:

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

2. Information about undertakings included in the Group of Companies

As at December 31, 2006, the Group of Companies included the following subsidiaries apart from the parent undertaking:

- ATM Services sp. z o.o., 60% of whose shares were held by ATM S.A.
- ATM-Mobile sp. z o.o., 88.76% of whose shares were held by ATM S.A. The ATM-Mobile company is the parent undertaking of a group of companies including the following subordinated undertakings:
 - the mPay S.A. subsidiary in which the ATM-Mobile parent undertaking together with ATM S.A. held 100% of the share capital;
 - the rec-order sp. z o. o. subsidiary in which the ATM-Mobile parent undertaking together with ATM S.A. held 100% of the share capital.
- iloggo sp. z o. o., 60% of whose shares were held by ATM S.A.
- Cineman sp. z o.o., 51% of whose shares were held by ATM S.A.
- KLK Technologie Informatyczne sp. z o.o., 78.74% of whose shares were held by ATM S.A.

In the first half of 2007, the following changes occurred with respect to the ATM S.A. Group of Companies:

- on March 16, 2007, the share capital of ATM Mobile sp. z o.o. was increased by PLN 2,800,000 by:
 - the combination of ATM-Mobile sp. z o.o. and Mobile Konsultant Henryk Kułakowski sp.j., which resulted in the establishment of 4,800 new shares taken up by partners in the Mobile Konsultant Henryk Kułakowski sp.j. registered partnership and the increase in capital by PLN 2,400,000;
 - the establishment of 800 new shares taken up by ATM S.A. and the paying up of said shares.
- On March 27, ATM S.A. acquired 600 shares in the Sputnik Software Sp. z o.o. company at the total price of PLN 3,000,000, giving it a 60% stake in the share capital and votes at the General Shareholders' Meeting.

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

As at June 30, 2007, the ATM S.A. Group of Companies included the following undertakings:

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

3. Grounds for the drawing up of consolidated financial statements

Both the ATM S.A. company and its subsidiaries draw up their financial statements pursuant to Polish accounting principles stipulated in the Accounting Act.

The consolidated financial statements of the ATM S.A. Group for the period from January 1 to June 30, 2007 and comparable data for the period from January 1 to June 30, 2006 (for balance sheet items the data are as at December 31, 2006) have been drawn up in accordance with International Financial Reporting Standards as approved by the European Union.

NOTE 2. MATERIAL ACCOUNTING POLICIES

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

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

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

1. Compliance statement

The consolidated financial statements of the ATM S.A. Group for the period from January 1 to June 30, 2007 and comparable data for the period from January 1 to June 30, 2006 (for balance sheet items the data are as at December 31, 2006) have been drawn up in accordance with International Financial Reporting Standards as approved by the European Union.

2. Earlier adoption of International Financial Reporting Standards

As indicated above, in drawing up the present consolidated financial statements, the Group applied IFRS as approved by the European Union. As at June 30, 2007, IFRS as approved by the European Union did not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for asset and liability portfolio hedge accounting, which has not been fully approved for application within the EU, and the regulations arising from:

- IFRS 8 "Operating Segments" (coming into force on January 1, 2009);
- IFRIC 12 "Service Concession Arrangements" (coming into force on January 1, 2008);
- IFRIC 13 "Customer Loyalty Programmes" (coming into force on January 1, 2008);
- IFRIC 14 Interpretation — The limit on a defined benefit asset, minimum funding requirements and their interaction (coming into force on January 1, 2008).

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

In drawing up the present consolidated financial statements, the Group decided not to apply IFRS regulations that have already been published but will come into force after June 30, 2007 at an earlier date. Apart from those listed above, these regulations include additionally:

- The IFRIC 7 "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies" interpretation. This interpretation requires that in the period in which the economy of an entity's functional currency becomes hyperinflationary, the entity should apply the requirements of IAS 29 as though the economy had always been hyperinflationary. The effect of this requirement is that restatements of non-monetary items carried at historical cost are made from the dates at which those items were first recognized. For the remaining non-monetary items, the restatements are made from the dates at which the verified current carrying amounts of those items were determined. The interpretation is applicable to financial statements for periods starting on March 1, 2006 or later. In the opinion of the Management Board of the parent undertaking, the

aforementioned amendments to regulations do not affect the Group's consolidated financial statements.

- The IFRIC 8 "Scope of IFRS 2 — Share-Based Payment Transactions" interpretation. According to the interpretation, IFRS 2 "Share-Based Payment" shall be applicable to agreements where the entity makes share-based payments for very low or inadequate consideration. IFRIC 8 clarifies that where the identifiable consideration appears to be less than the fair value of the equity instruments granted or the liability incurred, this usually indicates that other consideration has been or will be received. In such cases IFRS 2 shall be applicable. IFRIC 8 does not apply to transactions that are excluded from the scope of IFRS 2 (as per paragraphs 3 through 6 of this standard). The interpretation is applicable to financial statements for periods starting on May 1, 2006 or later. In the opinion of the Management Board of the parent undertaking, the aforementioned regulation will not affect the Group's consolidated financial statements significantly.
- The IFRIC 9 "Reassessment of Embedded Derivatives" interpretation. According to the interpretation, an entity generally should not reassess its conclusion as to whether an embedded derivative needs to be separated from the hybrid contract after it is initially recognized. Similarly, a first-time adopter of IFRSs should make its assessment on the basis of conditions existing when the entity became party to the hybrid contract, not when it adopts IFRSs. An entity should only revisit its assessment if the terms of the contract change, or the expected future cash flows of the embedded derivative, the host contract, or both, have changed significantly relative to the previously expected cash flows on the contract. The interpretation is applicable to financial statements for periods starting on June 1, 2006 or later. In the opinion of the Management Board of the parent undertaking, the aforementioned regulation will not affect the Group's consolidated financial statements significantly.

3. Management Board estimates

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

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

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

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

Estimates and assumptions involving significant risk include:

a) provisions for employee benefits

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

b) estimates related to annual goodwill impairment testing

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

volatility of the business climate in the IT industry in which the Group operates, actual cash flows may differ from those forecast by the Group.

c) long-term contracts

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

d) other

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

4. Accounting principles

Consolidation — subsidiaries

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

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

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

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

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

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

Consolidation — associates

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

buildings and structures	from 10 to 50 years
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machinery and equipment	from 3 to 10 years
means of transportation	from 3 to 7 years
other fixed assets	from 3 to 10 years

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

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

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

Financial assets

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

a) Financial assets at fair value through profit or loss

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

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

b) Loans granted and own receivables

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

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

c) Financial assets held to maturity

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

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

d) Financial assets available for sale

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

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

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

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

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

Financial instruments and hedges

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

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or during the provision of services. Inventories include materials, goods, finished products and work in process. Materials and goods are initially measured at acquisition price. On the balance sheet date, materials and goods are valued according to the prudence principle, i.e. these categories are valued at the lower of acquisition price or realizable sales value.

Finished products and work in process are initially valued at actual cost of production. On the balance sheet date, finished products and work in process are valued according to the prudence principle.

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

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

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

Trade and other receivables

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

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

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

- receivables equivalent to the amounts added back to receivables — in those amounts;
- receivables that are overdue or not overdue but it is highly probable they will not be collected — 100% of the amount of receivables.

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

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

Other current and fixed assets

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

Cash and cash equivalents

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

Bank loans

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

Trade and other liabilities

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

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

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

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

Provisions

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

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

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

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

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

Incentives Scheme Management Options

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

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

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

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

Foreign currency transactions

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

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

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

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

Loan currency	NBP average exchange rate as at June 30, 2007	NBP average exchange rate as at December 31, 2006	NBP average exchange rate as at June 30, 2006
EUR	3.7658	3.8312	4.0434
USD	2.7989	2.9105	3.1816

Leases

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

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

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

Impairment

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

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

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

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

Revenues

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

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

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

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

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

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

Borrowing costs

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

Taxation

Mandatory charges on the financial result include current tax (CIT) and deferred tax.

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

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

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

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

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

NOTE 3. REVENUE FROM SALES

	<u>For period from January 1 to June 30, 2007</u>	<u>For period from January 1 to June 30, 2006</u>
Revenue from sales of products	61,043	31,726
Revenue from sales of goods and materials	23,893	23,758
Total sales revenue	<u>84,936</u>	<u>55,484</u>
of which:		
- to related undertakings	<u>8</u>	<u>15</u>

Main products

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

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

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

Integrated ICT infrastructure systems

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

- **Transmission networks.** The Company provides comprehensive services including the auditing of existing customer infrastructure, the analysis of current and projected transmission requirements, planning network functionality and performance as well as designing, developing and deploying

corporate and carrier networks. Integration projects often involve the development of data transmission security systems and ICT resource management systems.

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

ATMAN — telecommunications and value-added services

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

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

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

Business security solutions and services

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

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

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

Application solutions

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

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

Multimedia solutions and services

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

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

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

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

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

- KLK sp. z o. o. deploys integrated ICT infrastructure systems with particular emphasis on uninterruptible power supply systems and structural networks;

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

Industry segments

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

Revenues from the sales of major products are as follows:

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Integrated ICT infrastructure systems	51,583	25,499
Telecommunications and value-added services	25,563	23,437
Business security solutions and services	3,970	3,809
Application solutions	2,490	1,898
Multimedia solutions and services	1,298	740
Other services	32	101
Total sales revenue	<u>84,936</u>	<u>55,484</u>

Geographical operation segments as at December 31, 2006 and June 30, 2007

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Domestic sales	84,427	55,325
Exports	509	159
Total sales revenue	<u>84,936</u>	<u>55,484</u>

NOTE 4. OPERATING EXPENSES

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Cost of goods sold	65,336	38,954
Selling costs	1,045	416
General and administrative costs	18,826	14,909
Total costs related to core operations	<u>85,207</u>	<u>54,279</u>
of which:		
Amortization and depreciation	4,243	2,830
Consumption of materials and energy	21,675	1,835
Outsourcing	24,372	17,868
Salaries	14,883	9,713
Employee benefits	3,338	2,059
Taxes and other charges	727	604
Other	(3,180)	814
Change in stock position	(779)	0
Value of goods and materials sold	19,928	18,556
	<u>85,207</u>	<u>54,279</u>

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

Employee costs

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Salaries	14,880	9,713
Social insurance costs	2,670	1,719
Pension benefit costs	-	-
Other benefits after the employment period	3	-
Charges to Enterprise Social Benefit Fund	54	-
Other employee benefits	614	340
	<u>18,221</u>	<u>11,772</u>

Salaries

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

Employee benefits

Social insurance costs for group units include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (*Fundusz Gwarantowanych Świadczeń*) and Labor Fund (*Fundusz Pracy*). In 2007 and 2006, those contributions amounted to 19.77% and 20.61% of the contribution

calculation base determined pursuant to applicable laws, respectively (depending on the amount of the accident insurance contribution required from individual companies).

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

Some of the Group units situated in Poland are under the obligation to establish the Enterprise Social Benefit Fund (*Zakładowy Fundusz Świadczeń Socjalnych — ZFŚS*). Charges to this fund are recognized as Group operating expenses and the money allocated to the fund has to be blocked in a separate bank account. In the financial statements, fund assets and liabilities are presented in net terms. Due to the nature of the fund's operations, the fund's assets equal its liabilities. The amounts of funds in the Enterprise Social Benefit Fund as at June 30, 2007 and December 31, 2006 were PLN 162,000 and PLN 161,000, respectively.

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

Costs of research and development

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Costs included directly in costs related to core operations	-	-
Amortization costs related to deferred development work costs	73	34
	<u>73</u>	<u>34</u>

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

NOTE 5. OTHER REVENUE

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Profit from the sale of fixed assets	20	216
Reversal of receivable write-downs	29	25
Reversal of inventory write-downs	-	-
Damages received	25	18
Expired liabilities written off	-	-
Other	145	5
	<u>219</u>	<u>264</u>

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

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

NOTE 6. OTHER COSTS

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Loss from the sale of fixed assets	-	-
Receivable write-downs	155	86
Inventory write-downs	-	-
Impairment write-downs	-	-
Donations given	35	4
Fines and penalties paid	-	-
Other	(17)	30
	<u>173</u>	<u>120</u>

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

NOTE 7. FINANCIAL REVENUE

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Dividends received	-	-
Interest on bank deposits	142	154
Interest on overdue payments	-	2
Interest on securities	-	296
FX gains	297	-
Other	390	-
	<u>829</u>	<u>452</u>

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. As at the balance sheet date, i.e. June 30, 2006 and 2007, the Group had no forward transactions open. Financial operations also include foreign exchange gains.

NOTE 8. FINANCIAL EXPENSES

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Interest on bank loans	241	43
Budget interest	2	-
Interest on overdue payments	-	5
Finance lease costs	299	110
Other	88	66
	<u>630</u>	<u>224</u>

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

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

NOTE 9. INCOME TAX

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Statutory tax rate	<u>19%</u>	<u>19%</u>
<i>Current income tax</i>		
Current tax expense	196	684
Adjustments concerning previous years	-	-
	<u>196</u>	<u>684</u>
<i>Deferred income tax</i>		
Related to the origination and reversal of temporary differences	(87)	(445)
Related to change in the tax rate	-	-
	<u>(87)</u>	<u>(445)</u>
Tax expense shown in the profit and loss account	<u>109</u>	<u>239</u>

Current tax expense is calculated on the basis of the tax regulations applicable. Pursuant to these regulations, tax profit (loss) is distinguished from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the financial 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. The Group does not have a tax group status and does not operate in a Special Economic Zone, which would cause the principles for determining tax expense to differ from general regulations in this respect. Both the tax and balance sheet years coincide with calendar years.

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

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2006</u>
Pre-tax earnings	(35)	1,577
Effective tax rate	-21%	43%
Tax at the effective rate	193	684
Tax at the statutory rate	(7)	300
Tax impact related to the different dates on which costs are considered tax-deductible	20	(234)
Tax impact related to the different manners according to which revenues are recognized for tax purposes	(9)	689
Tax impact of tax losses deducted during the period	-	(99)
Tax impact of tax losses incurred during the period	189	28
Tax at the effective rate	193	684

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. The deferred income tax as at December 31, 2006 and June 30, 2007 results from the items shown in the table below.

	Balance sheet		Profit and loss account	
	<u>End of period,</u> <u>June 30, 2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December 31,</u> <u>2006</u>
Deferred tax provision				
Difference between the balance sheet and tax value of fixed assets	729	637	92	374
Recognized service revenue	644	-	644	(162)
Interest accrued	-	-	-	-
Foreign exchange gains	1	4	(3)	(334)
Deferred tax provisions acquired as a result of business combination	-	-	-	(117)
Gross deferred tax provision	1,374	641	733	(239)
Deferred tax assets				
Difference between the balance sheet and tax value of intangible assets	-	-	-	-
Deferred payment revenue	625	443	(182)	(443)
Inventory write-downs	211	151	(60)	(53)
Receivable write-downs	97	103	6	(10)
Written-off financial assets under litigation	55	55	-	-
Foreign exchange losses	-	-	-	-
Provisions for expenses	974	401	(573)	(169)
Subsidies received	3	4	1	(4)
Tax losses to be deducted	180	168	(12)	(69)
Deferred tax assets acquired as a result of business combination	-	-	-	183
Gross deferred tax assets	2,145	1,325	(817)	(565)

	Balance sheet		Profit and loss account	
	End of period, June 30, 2007	End of period, December 31, 2006	For period from January 1 to June 30, 2007	For period from January 1 to December 31, 2006
Net tax assets (tax provision)	771	684		
Deferred income tax charge on profit			(87)	(804)

Deferred tax was established for all positive and negative temporary differences present as at December 31, 2006 and June 30, 2007 at all companies of the Group.

NOTE 10. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

	For period from January 1 to June 30, 2007	For period from January 1 to June 30, 2006
Weighted average number of shares	3,295,642	3,227,040
Net profit for 6 months (PLN thousands)	(21)	1,383
Net earnings per share (PLN)	(0.01)	0.43
Diluted net earnings per share (PLN)	(0.01)	0.42

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

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

On February 16, 2007, the Management Board of ATM S.A. adopted a resolution concerning the issue of 68,602 G series shares with a face value of PLN 7.60 and an issue price of PLN 119.61 each. These shares have participated in the dividend as from January 1, 2006. They were issued and the increase in equity related to their issue was registered in the National Court Register on March 1, 2007. Therefore the diluted net earnings calculated account for these shares.

Dividends paid and declared

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

Pursuant to this policy, on June 29, 2007, the General Meeting of Shareholders adopted a resolution to pay out dividends for 2006 in the amount of PLN 7.60 per share.

As at June 30, 2007, no unpaid cumulated dividends were present. Pursuant to tax regulations, dividends that are paid out are taxed at the 19% rate.

NOTE 11. GOODWILL

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

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
ATM-Mobile Group	131	131
iloggo sp. z o. o.	54	54
KLK — Technologie Informatyczne sp. z o. o.	10,743	10,743
Sputnik Software Sp. z o.o.	2,586	-
	<u>13,514</u>	<u>10,928</u>

The entire goodwill was generated as a result of business combinations executed in 2006 and 2007.

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

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

NOTE 12. INTANGIBLE ASSETS

	<u>For period from January 1 to June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Costs of development	8,239	3,581
Concessions and licenses	7,343	3,773
Perpetual usufruct rights	-	-
Other intangible assets	280	-
	<u>15,862</u>	<u>7,354</u>
Of which:		
Intangible assets used under finance lease agreements	312	415

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

As at June 30, 2007, development work includes the following projects developed in-house:

PC TV Platform under the ATM Internet TV brand

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

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

POS TV Platform under the ATM Indoor TV brand

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

Atmosfera BCP product

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

Remote archive

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

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

Voice over IP

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

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

Atmosfera IT Service Desk Suite

Since 2000, the Issuer has steadily developed the Atmosfera business process support system.

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

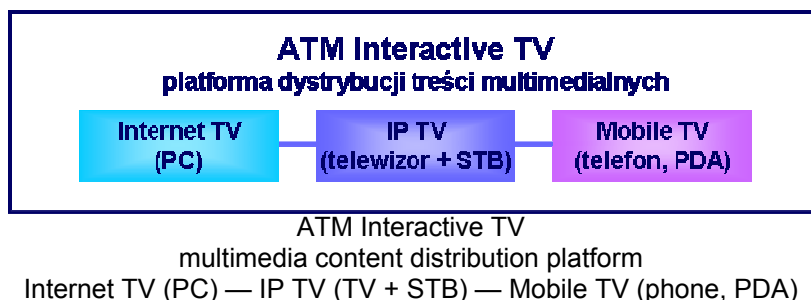
The Atmosfera system operates, *inter alia*, at such companies as Polska Telefonia Cyfrowa sp. z o. o. (the operator of Era and Heyah mobile networks), Agora SA, PLL LOT SA, Netia SA, Telewizja Polska SA and P4 sp. z o. o. (the operator of the Play mobile network). The overwhelming majority of system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

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

ATM MobileTV

ATM MobileTV is a technology platform developed by the Issuer, which enables the provision of multimedia services, including the broadcasting of video content, for mobile device users who use the data transmission services provided by cell phone networks.

The work on the development of the Internet TV technology platform conducted by the Issuer since 2005 has resulted in several functional extensions. The first version of the ATM InternetTV platform is already in operation and is used to provide video on demand services over IP networks. In the first half of 2007, work was underway on extending its functionality in order to enable the broadcasting of live TV programs. The signal from this platform can be received by PCs. Work is also underway on the further development of this line of solutions (which are offered under the ATM InteractiveTV brand — see diagram below) which will enable broadcasting for receivers other than PCs: TV sets (via an appropriate set-top box device) and cell phones. The development plans drawn up assume the gradual implementation of subsequent modules in 2007 and 2008.



The work has been conducted within the framework of the “Technology platform for next generation mobile services (mobile VOD, theme channels, enhanced user interaction)”, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Programme 1.4.1.

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 Programme 1.4.1. Within the framework of the project, scenarios are being developed with regard to the handling of various types of payment acceptors, methods for detecting fraud attempts and protecting against them are being perfected, and the user interface is being designed.

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

	<u>For period</u> <u>from January</u> <u>1 to June 30,</u> <u>2007</u>	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2006</u>
PC-TV platform	2,062	1,261
POS-TV platform	-	900
BCP platform	243	230
VoIP platform	332	208
Remote Archive platform	-	79
Atmosfera platform	1,761	725
Mobile TV platform	1,327	-
Cineman platform	30	-
mPay platform	577	-
	<u>6,332</u>	<u>3,403</u>

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

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

As at June 30, 2007, there were no impairment write-downs concerning intangibles.

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

Movements in the amount of intangible assets during the period from January 1 to June 30, 2007

	<u>Costs of completed development work</u>	<u>Concessio ns and licenses</u>	<u>Perpetual usufruct rights</u>	<u>Other intangible assets</u>	<u>Total</u>
Gross value					
As at January 1, 2007	3,753	5,437	-	-	9,190
Increases:					
- acquisition	-	4,043	-	174	4,117
- developed in-house	4,739	-	-	-	4,739
- acquired as a result of business combination	-	11	-	332	343
Decreases:					
- sale	-	6	-	34	40
- liquidation	1	-	-	-	1
As at June 30, 2007	8,491	9,485	-	472	18,448
Write-offs					
As at January 1, 2007	172	1,664	-	-	1,836
Increases:					
- amortization	81	483	-	11	575
- impairment	-	-	-	-	-
- acquired as a result of business combination	-	-	-	191	191
Decreases:					
- sale and liquidation	1	5	-	10	16
As at June 30, 2007	252	2,142	-	192	2,586
Net as at June 30, 2007	8,239	7,343	-	280	15,862

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

	<u>Costs of completed development work</u>	<u>Concessio ns and licenses</u>	<u>Perpetual usufruct rights</u>	<u>Other intangible assets</u>	<u>Total</u>
Gross value					
As at January 1, 2006	883	1,850	-	-	2,733
Increases:					
- acquisition	-	3,361	-	-	3,361
- developed in-house	2,821	-	-	-	2,821
- acquired as a result of business combination	49	1,435	-	-	1,484
Decreases:					
- sale	-	949	-	-	949
- liquidation	-	260	-	-	260
As at December 31, 2006	3,753	5,437	-	-	9,190
Write-offs					-
As at January 1, 2006	99	1,786	-	-	1,885
Increases:					
- amortization	102	138	-	-	240
- impairment	-	-	-	-	-
		17			17
Decreases:					
- sale					
- liquidation	29	277	-	-	306
As at December 31, 2006	172	1,664	-	-	1,836
Net as at December 31, 2006	3,581	3,773	-	-	7,354

**NOTE 13.
FIXED ASSETS**

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Fixed assets	51,564	44,944
Land	662	341
Buildings and structures	23,856	21,145
Machinery and equipment	22,910	20,062
Means of transportation	3,958	3,222
Other	178	174
Fixed assets under construction	9,006	1,963
Advances for fixed assets under construction	-	-
	60,570	46,907
of which:		
Fixed assets used under finance lease agreements	14,242	10,546

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

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

- machinery and equipment with a value of PLN 12,512,000;
- means of transportation with a value of PLN 1,730,000;

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

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

As at June 30, 2007, there were no impairment write-downs concerning fixed assets.

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

Movements in the amount of fixed assets during the period from January 1 to June 30, 2007

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
As at January 1, 2007	341	24,042	26,185	4,234	200	55,002
Increases:						
- acquisition	321	3,622	698	269	27	4,936
- acquisition as a result of business combination	-	-	4,568	502	6	5,075
- other	-	-	-	403	-	403
Decreases:						
- sale	-	-	178	8	-	186
- liquidation	-	-	1	0	-	1
- finance lease expiry	-	-	-	41	-	41
- donations	-	-	-	-	-	-
- other	-	-	-	-	-	-
As at June 30, 2007	662	27,664	31,272	5,358	232	65,187
Write-offs						
As at January 1, 2007	-	2,897	6,122	1,013	25	10,057
Increases:						
- depreciation	-	911	2,269	390	30	3,601
- impairment	-	-	-	-	-	-
- acquisition as a result of business combination	-	-	8	3	0	11
Decreases:						
- sale and liquidation	-	-	40	6	-	46
- donations	-	-	3	-	-	3
- other	-	-	-	-	-	-
As at June 30, 2007	-	3,808	8,362	1,400	55	13,625
Net as at June 30, 2007	662	23,856	22,910	3,957	178	51,562

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

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
As at January 1, 2006	-	18,510	15,692	2,866	53	37,121
Increases:						
- acquisition	-	6,190	11,336	1,424	84	19,034
- acquisition as a result of business combination	341	1,901	545	631	63	3,481
- other	-	-	-	-	-	-
Decreases:						
- sale	-	2,550	1,086	101	-	3,737
- liquidation	-	9	303	-	-	312
- finance lease expiry	-	-	-	536	-	536
- donations	-	-	-	-	-	-
- other	-	-	-	49	-	49
As at December 31, 2006	341	24,042	26,184	4,235	200	55,002
Write-offs						
As at January 1, 2006	-	1,573	2,442	692	8	4,715
Increases:						
- depreciation	-	1,724	3,886	645	17	6,272
- impairment	-	-	-	-	-	-
Decreases:						
- sale and liquidation	-	400	205	275	-	880
- donations	-	-	-	-	-	-
- other	-	-	-	49	-	49
As at December 31, 2006	-	2,897	6,123	1,013	25	10,058
Net as at December 31, 2006	341	21,145	20,061	3,222	175	44,944

**NOTE 14.
OTHER FINANCIAL ASSETS**

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Shares in other undertakings	80	80
(-) Impairment write-downs	-	-
	<u>80</u>	<u>80</u>

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

**NOTE 15.
OTHER FIXED ASSETS**

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Guarantee deposits	3	498
Trade receivables	11,978	12,019
Prepaid maintenance costs	185	231
	<u>12,166</u>	<u>12,748</u>
of which payable within:		
from 1 to 2 years	3,717	2,300
from 3 to 5 years	7,894	8,633
more than 5 years	555	1,815

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

The receivables recorded as at December 31, 2006 and June 30, 2007 have payment dates of up to 2013. They are the result of deferred payment sales whose value has been measured at fair value and is equivalent to the present value of the payment. The installments receivable have been discounted using 12M WIBOR and the market margin based on the parent undertaking's lending margin. Interest is recognized as financial revenue for relevant periods using the effective interest rate method.

Deferred payment sales (deferred beyond the normal terms and conditions applied by the Group) concern incidental sales transactions. The Group has no policy concerning significantly longer payment terms or installment sale procedures.

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

NOTE 16. INVENTORIES

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Materials	2,939	3,469
Work in process	1,020	175
Finished products	-	-
Goods	5,342	2,286
Inventory write-downs	(493)	(493)
	<u>8 808</u>	<u>5,437</u>

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

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

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Transfer of ownership of inventories	-	-
Pledge on inventories	1,153	1,153
	<u>1,153</u>	<u>1,153</u>

NOTE 17. TRADE AND OTHER RECEIVABLES

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Trade receivables from related undertakings	4,585	26,731
Trade receivables from other undertakings	35,638	49,387
Tax receivables	556	270
Payments on account	29	138
Other receivables	329	85
Receivables under litigation	291	291
Receivable write-downs	(599)	(538)
	<u>40,829</u>	<u>76,364</u>

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

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

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

NOTE 18. OTHER CURRENT ASSETS

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Prepaid maintenance costs	1,066	-
Subscriptions and other	899	131
Share issue costs	57	150
	<u>2,022</u>	<u>281</u>

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

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

NOTE 19. CASH AND CASH EQUIVALENTS

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Cash in hand	31	38
Cash in bank accounts	4,271	5,280
Short-term deposits	1,829	4,190
	<u>6,131</u>	<u>9,508</u>

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

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

As at June 30, 2007, restricted cash accounted for PLN 2,414,000 out of the overall amount of cash and cash equivalents; this was mainly related to funds in a restricted account, which were allocated to the repayment of liabilities arising from the purchase of property by the KLK Technologie Informatyczne Sp. z o.o. company.

**NOTE 20.
EQUITY****Share capital**

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Registered share capital	25,047	24,526
Treasury shares under management option scheme, not taken up	(151)	(151)
Hyperinflationary adjustment	197	197
	<u><u>25,093</u></u>	<u><u>24,572</u></u>

Registered share capital includes:

<u>Series</u>	<u>Number of shares</u>	<u>Face value</u>	<u>Registered date</u>	<u>Dividend rights</u>	<u>Paid for by</u>	<u>Share type</u>
A	1,800,000	13,680,000.00	Jul 10, 1997	Jul 10, 1997	ATM sp. z o. o. shares	ordinary
B	630,000	4,788,000.00	Sep 22, 1998	Jan 1, 1998	cash	ordinary
C	180,000	1,368,000.00	April 13, 1999	Jan 1, 1999	cash	ordinary
D	187,040	1,421,504.00	Nov 9, 2000	Jan 1, 2000	cash	ordinary
E	130,000	988,000.00	Sep 23, 2004	Jan 1, 2004	cash	ordinary
F	300,000	2,280,000.00	Sep 23, 2004	Jan 1, 2004	cash	ordinary
G	68,602	521,375.20	Mar 1, 2007	Jan 1, 2006	cash	ordinary
	<u>3,295,642</u>	<u>25,046,879.20</u>				
		Face value per share (PLN):		<u>7.60</u>		

Application of IAS 29 “Financial Reporting in Hyperinflationary Economies”

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

Incentives Scheme — Management Options

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

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

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

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

- they must have worked for the Company for at least 18 months before the end of the last financial year;
- they must have obtained a positive assessment from their immediate superior concerning the performance of individual tasks in the last financial year;
- they must be managers of a Company organizational unit (division, department, section or team) or have documented professional skills related to their duties at the Company.

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

a) for Company collaborators:

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

b) for other persons indicated by the Management Board:

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

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

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

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

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

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

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

In the first half of 2007, the following numbers of Parent Undertaking shares were taken up during individual Incentives Scheme implementation periods:

<u>Incentives Scheme Member</u>	<u>Shares taken up in 2007</u>	<u>Shares taken up in 2006</u>
Management Board	2,690	56,028
Key management staff	3,200	4,250
Employees	13,950	6,550
Total	<u>19,840</u>	<u>66,828</u>

The fair value of options for a given period is charged to salary costs for the period and recognized in retained earnings. The costs related to this scheme in the years covered by the consolidated financial statements amounted to PLN 21,000 in 2006 and PLN 0 in 2007.

The shares held by the sub-issuer which were not included in the incentives scheme as at the balance sheet date decrease the share capital registered. The incentives scheme for 2006 was recognized in August 2007, i.e. after the balance sheet date. As a result, the share capital as at June 30, 2007 was adjusted by an additional PLN 151,000, i.e. the amount equivalent to the value of the shares allocated in 2007.

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

Ownership structure

The ownership structure of the Parent Undertaking share capital as at June 30, 2007 was as follows:

<u>Shareholder</u>	<u>Number of</u>	<u>%</u>	<u>Number of</u>	<u>%</u>
	<u>shares</u>		<u>shares</u>	
	<u>Jun 30, 2007</u>		<u>Dec 31, 2006</u>	
Roman Szwed — Management Board				
President	452,225	13.72%	452,225	14.01%
Tadeusz Czichon — Management Board				
Vice-President	721,000	21.88%	720,400	22.32%
Piotr Puteczny	205,000	6.22%	208,000	6.45%
Polsat OFE	276,408	8.39%	253,822	7.87%
Other shareholders	1,621,169	49.19%	1,572,553	48.73%
Sub-issuer	19,840	0.60%	19,840	0.61%
	<u>3,295,642</u>	<u>100.00%</u>	<u>3,226,840</u>	<u>100.00%</u>

Capital reserves

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

Retained earnings

	<u>End of period,</u>	<u>End of period,</u>
	<u>June 30, 2007</u>	<u>December 31,</u>
		<u>2006</u>
Retained earnings brought forward, of which:		
Statutory supplementary capital	8,349	8,175
Profit distribution (above the statutory amount)	1,827	2,750
IFRS implementation profits (losses)	2,969	2,969
Management option scheme profits (losses)	102	102
Current period profit (loss)	(21)	26,435
	<u>13,226</u>	<u>40,431</u>

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

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

NOTE 21. MINORITY CAPITAL

	<u>End of period,</u>	<u>End of period,</u>
	<u>June 30, 2007</u>	<u>December 31,</u>
		<u>2006</u>
<i>Minority capital applies to the following Group undertakings:</i>		

KLK Technologie informatyczne sp. z o. o.	1,525	1,614
ATM-Mobile Group	2,664	445
Cineman sp. z o. o.	177	258
ATM Services sp. z o. o.	173	198
iloggo sp. z o. o.	61	97
Sputnik Software Sp. z o.o.	370	-
	<u>4,970</u>	<u>2,612</u>

NOTE 22. BANK LOANS AND OTHER LOANS

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Bank loans	10,363	6,791
Other loans	-	-
	<u>10,363</u>	<u>6,791</u>
of which:		
<i>Long-term portion</i>	2,428	-
Bank loans	2,428	-
Loans from shareholders	-	-
<i>Short-term portion</i>	7,935	6,791
Bank loans	7,935	6,791
Loans from shareholders	-	-
Bank loans and other loans due:		
within one year	7 935	6,791
from 1 to 2 years	1,018	-
from 3 to 5 years	1,410	-
more than 5 years	-	-
	<u>10,363</u>	<u>6,791</u>

As at December 31, 2006, the Group had loan agreements with BRE Bank and their contractual repayment date was 2007. One of the loans, amounting to PLN 6,754,000, was granted to fund the purchase of shares, and the other, with an outstanding amount of PLN 37,000, was granted for the extension of a property in Katowice.

As at June 30, 2007, the Group had loan agreements with BRE Bank and an authorized overdraft. The loan amounting to PLN 6,754,000 was repaid in August 2007.

On June 27, 2007, a loan agreement was concluded with BRE Bank in Katowice concerning a mortgage loan amounting to PLN 8,000,000.00, to be repaid by June 24, 2022. The loan is entirely allocated to the purchase of a property in Myslowice, its repair and upgrade. The loan will be made available in tranches according to the schedule of repair and upgrade work; the first tranche was made available on June 27, 2007. The loan will be repaid in 165 tranches of PLN 48,485.00 each, starting in October 2008. During the grace period, the company will be repaying current interest.

Authorized overdrafts, which are used for the settlement of current liabilities, have limits of PLN 3,000,000 and PLN 240,000.

Currency composition of loans

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
PLN loans	10,363	6,791
EUR loans	-	-
	<u>10,363</u>	<u>6,791</u>

Average loan interest rates

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Interest rate on loans contracted by Group undertakings:		
Authorized overdrafts	5.03%	
PLN bank loans	5.63%	5.84%

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

Specification of liabilities arising from bank loans as at June 30, 2007

Lender	Base loan value			Short-term portion		Long-term portion		Interest rate	Repayment date	Security
	Loan amount, PLN thousand	Loan amount in loan currency	Loan currency	Loan amount in PLN	Loan amount in loan currency	Loan amount in PLN	Loan amount in loan currency			
BRE Bank SA in Warsaw	6,754	-	-	6,754	-	-	-	WIBOR 1M plus bank margin	Dec 31, 2007	blank promissory note with a promissory note declaration
BRE Bank SA in Katowice (mortgage loan)	8,000	-	-	-	-	2,428	-	WIBOR 1M plus bank margin	Jun 24, 2022	1) a mortgage amounting to PLN 8,000,000 and a capped mortgage for an amount of up to PLN 1,760,000; 2) blank promissory note; 3) assignment of insurance policy receivables.
BRE Bank SA in Katowice (authorized overdraft)	3,000	-	-	979	-	-	-	WIBOR ON plus bank margin	Mar 16, 2010	1) a joint capped mortgage for an amount of up to PLN 3,900,000; 2) registered pledge on inventories; 3) blank promissory note; 4) insurance policy assignment.
BRE Bank S.A. in Poznań (authorized overdraft)	240	-	-	202	-	-	-	WIBOR ON plus bank margin	May 8, 2008	blank promissory note with a promissory note declaration
	17,994	-		7,935	-	2,428	-			

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

<u>Lender</u>	<u>Base loan value</u>			<u>Short-term portion</u>		<u>Long-term portion</u>		<u>Interest rate</u>	<u>Repayment date</u>	<u>Security</u>
	<u>Loan amount, PLN thousand</u>	<u>Loan amount in loan currency</u>	<u>Loan currency</u>	<u>Loan amount in PLN</u>	<u>Loan amount in loan currency</u>	<u>Loan amount in PLN</u>	<u>Loan amount in loan currency</u>			
BRE Bank SA in Warsaw	6,754	-	-	6,754	-	-	-	WIBOR 1M plus bank margin	Dec 31, 2007	blank promissory note with a promissory note declaration 1) a mortgage amounting to PLN 432,000 on property No. KW 19729 and a capped mortgage for an amount of up to PLN 40,000;
BRE Bank SA in Katowice	432	-	-	37	-	-	-	WIBOR 1M plus bank margin	Mar 31, 2007	2) blank promissory note; 3) insurance of property and movables and the assignment of receivables arising from it
	7,186	-		6,791	-	-	-			

**NOTE 23.
PROVISIONS FOR LIABILITIES**

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Provision for warranty repairs	231	55
General risk provisions	-	-
	<u>231</u>	<u>55</u>
of which:		
Long-term portion		
Provision for warranty repairs	184	-
Provisions for maintenance costs	-	-
General risk provisions	-	-
	<u>184</u>	<u>-</u>
Short-term portion		
Provision for warranty repairs	47	55
General risk provisions	-	-
	<u>47</u>	<u>55</u>

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

**NOTE 24.
LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES**

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Trade liabilities to related undertakings	-	-
Trade liabilities to other undertakings	-	-
Prepaid undelivered performances and maintenance service costs	181	287
Subsidies for fixed asset financing	1,440	890
Provisions for bank guarantee costs	10	-
	<u>1,631</u>	<u>1,177</u>
of which payable within:		
from 1 to 2 years	252	99
from 3 to 5 years	603	890
more than 5 years	776	188

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

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

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Trade liabilities to related undertakings	261	47
Trade liabilities to other undertakings	19,851	25,144
Liabilities arising from taxes and social insurance	2,407	10,742
Advances received	-	3,162

	<u>End of period,</u> <u>June 30, 2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Payroll liabilities	63	9
Other liabilities and accruals, including:	32,466	11,957
liabilities arising from the purchase of shares	-	8,206
liabilities arising from bonuses	230	-
liabilities arising from outstanding leaves	167	167
settlements related to uninvoiced expenses	4,649	3,121
Subsidies	125	159
Liabilities arising from dividend payouts	25,047	-
Deferred income	848	-
other liabilities	1,400	304
	<u>55,048</u>	<u>51,061</u>

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

In 2006 and in the first half of 2007, the Group did not rely on a small group of suppliers. Only one supplier — Cisco Systems — exceeded a 10% threshold of overall purchases (its share of the Group's overall purchases in 2006 amounted to 20.3%, and in the first half of 2007 it was 23.8%). Considering the stable position of Cisco as a global leader in the IT technology market, and considering the highly successful progress in cooperation, also supported by certification requirements, this reliance is not considered to pose a significant risk of supplier concentration. As at December 31, 2006, liabilities to this supplier came to PLN 2,720,000; as at June 30, 2007, they were PLN 1,696,000.

In 2007, ABC Data may be considered a significant supplier. Despite the fact that from the point of view of overall Group purchases, purchases from this firm are not significant, they constitute 26% of supplies of the KLK Technologie Informatyczne subsidiary and liabilities to this supplier as at June 30, 2007 amounted to 28.7% of total liabilities of the Company. The concentration of supplies from this supplier has been the result of very favorable trading terms offered for purchases.

NOTE 26. OTHER FINANCIAL LIABILITIES

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

	<u>End of</u> <u>period, June</u> <u>30, 2007</u>	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2006</u>
Amount of liabilities arising from finance leases due within:		
- one year	4,341	3,099
- two to five years	10,458	7,495
- more than five years	-	-
	<u>14,799</u>	<u>10,594</u>
Future interest expenses (-)	<u>(1,393)</u>	<u>(843)</u>
Present value of future liabilities	<u>13,405</u>	<u>9,751</u>
of which:		
Amounts due within the next 12 months (included in short-term liabilities)	<u>3,741</u>	<u>2,824</u>
Amounts due after more than 12 months, within:	<u>9,664</u>	<u>6,927</u>
- two to five years	9,664	6,927
- more than five years	-	-

Finance lease agreements concern machinery and equipment, means of transportation and software licenses constituting intangible assets. As at December 31, 2006, the Group was party to 68 agreements, under which it leased fixed assets with a total net value of PLN 10,934,000 as at that date.

As at June 30, 2007, the Group was party to 99 agreements, under which it leased fixed assets with a total net value of PLN 15,064,000 as at that date.

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

NOTE 27. OPERATING LEASES

Operating lease liabilities — Group as lessor

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

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

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

Operating lease liabilities — Group as lessee

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

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

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

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

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

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

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

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

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

	<u>For period from January 1 to June 30, 2007</u>	<u>For period from January 1 to December 31, 2006</u>
Expenses related to property operating lease	1,489	2,502
Expenses related to infrastructure operating lease	1,083	-
	<u>2,572</u>	<u>2,502</u>

Minimum lease payments for property lease were as follows:

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
One year or less	2,944	2,520
From one up to five years	14,721	10,080
More than 5 years	22,327	22,899
	<u>39,992</u>	<u>35,499</u>

Minimum lease payments for telecommunications infrastructure lease were as follows:

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
One year or less	3,007	2,508
From one up to five years	6,950	8,453
More than 5 years	-	-
	<u>9,957</u>	<u>10,961</u>

NOTE 28. BUSINESS COMBINATIONS

As stated in Note 1, item 2, on March 27 ATM S.A. acquired 600 shares in the Sputnik Software Sp. z o.o. company at the total price of PLN 3,000,000, giving it a 60% stake in the share capital and votes at the General Shareholders' Meeting.

This acquisition was accounted for using the purchase method. The application of the purchase method consists, *inter alia*, in:

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

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

Fixed assets

Intangible assets	153
Property, plant and equipment	800
Other financial assets	-
Deferred income tax assets	-
Other fixed assets	-
	<u>953</u>

Current assets

Inventories	146
Trade and other receivables	249
Other current assets	19
Cash and cash equivalents	66
	<u>480</u>

Total assets1,433**Long-term liabilities**

Provisions for deferred tax	-
Long-term trade and other liabilities	-
Other financial liabilities	-
	<u>-</u>

Short-term liabilities

Bank and other loans	126
Provisions for liabilities	-
Trade and other liabilities	417
Other financial liabilities	142
	<u>685</u>

Total liabilities685**Recognized net assets**748

Recognized goodwill	2,586
Total acquisition price accounting for deferred payments	3,035
Net cash flows arising from undertaking acquisition	(2,969)

Due to the fact that Sputnik Software sp. z o.o. did not draw up its financial statements in accordance with IFRS in previous years, it is not possible to reliably present the balance sheet values of each asset, liability and contingent liability category determined as per IFRS directly before the combination.

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

NOTE 29. CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Financial receivables under litigation	291	291
	<u>291</u>	<u>291</u>

As at June 30, 2007, contingent receivables included financial assets under litigation, i.e. receivables arising from the redemption of commercial bills. These receivables are subject to a damages action. In the view of the Company, ATM S.A. was misled by BWE S.A. as to the actual standing of the commercial bill issuer — the DANMAG S.A. company from Zielona Góra. Due to its poor standing, DANMAG S.A. was unable to redeem the commercial bills it had issued. The Court of Appeals decided to return the case to the Regional Court for re-examination. As at June 30, 2007, the case remained undecided.

Contingent liabilities

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
To related undertakings:	-	-
To other undertakings:	22,588	10,450
1. Bank guarantees received:		
- performance bonds and tender bonds	5,275	4,635
2. Mortgage security:		
- bank loan security	13,660	2,162
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing	2,500	2,500
- endorsements to banks related to loans granted	1,153	1,153
	<u>22,588</u>	<u>10,450</u>

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

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

As at June 30, 2007, tender bonds and performance bonds included guarantees extended by BRE Bank SA amounting to PLN 1,489,000, by Bank Millennium S.A. amounting to PLN 1,286,000, and by Generali TU S.A. amounting to PLN 20,000.

NOTE 30. INFORMATION CONCERNING RELATED UNDERTAKINGS

Related undertaking details

The Group's related undertakings include:

1. Undertakings in which the Group holds an equity stake

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

2. Undertakings related to the Group of Companies

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

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

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

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

- trade transactions including the purchase and sale of goods, materials and services;
- transactions related to the lease of telecommunications infrastructure.

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

<u>Related undertaking</u>	<u>Year</u>	<u>Sales to related undertakings</u>	<u>Purchases from related undertakings</u>	<u>Receivables from related undertakings</u>	<u>Liabilities to related undertakings</u>
A.Chalimoniuk i Wspólnicy, ATM SJ	Jun 30, 2006	-	354	1	-
	Dec 31, 2006	-	1,906	-	24
	Jun 30, 2007	-	360	-	24
ATM PP Sp. z o.o.	Jun 30, 2006	15	611	3	21
	Dec 31, 2006	21,935	1,195	26,731	22
	Jun 30, 2007	9	1,662	4,583	237
	Jun 30, 2006	15	965	4	21
	Dec 31, 2006	21,935	3,101	26,731	46
	Jun 30, 2007	9	2,022	4,583	261

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

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

Other Group related entities include members of Parent Undertaking directing and supervisory bodies (including management) and persons who are their close family members (i.e. partner and children, the

partner's children and persons dependent on the member or his or her partner) as well as other businesses in which members of the parent undertaking Management Board perform management duties or are shareholders.

Senior management remuneration

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

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Short-term employee benefits	310	2,849
Benefits after the employment period	-	-
Management options	-	21
Severance pay	-	-
	<u>310</u>	<u>2,870</u>

The short-term employee benefits referred to above concern:

	<u>End of period, June 30, 2007</u>	<u>End of period, December 31, 2006</u>
Management Board	450	921
Supervisory Board	123	216
Directors and managers	1,174	1,712
	<u>1,747</u>	<u>2,849</u>

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

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

NOTE 31. FINANCIAL INSTRUMENTS

1. Capital risk management

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

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

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

The dividend policy is among the risk management measures. According to this policy, investors should receive an annual dividend of not less than interest on bank deposits. The Company intends to pay an

annual dividend in the amount of not less than the EURIBOR rate for annual deposits on the last day of the financial year, additionally increased by 0.5%, and multiplied by the Company's listed value in the last month of the year. The new dividend policy will operate independently of the Company's demand for capital required to sustain its high growth rate in the future and to finance long-term investments and acquisitions. Dividend is payable to shareholders who have already entrusted the Company with their money. On the other hand, offers to take up shares while increasing the Company's capital will be extended to new investors or existing investors who plan to extend their capital involvement in the Company.

2. Financial risk management objectives

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

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

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

During 2006 as well as during the first half of 2007:

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

3. Material accounting policies

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

4. Financial instrument categories and classes

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

	Jun 30, 07	Dec 31, 06
	PLN '000	PLN '000
Financial assets		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	58,941	98,389
Financial assets available for sale	80	80
Financial liabilities		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Financial liabilities	78,872	67,731
Financial guarantee contracts	-	-

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

With regard to the own receivables category

	Jun 30, 07	Dec 31, 06
	PLN '000	PLN '000
Receivables from related undertakings (Note 17)	4,585	26,731
Short-term receivables from other undertakings (Note 17)	36,244	49,633
Long-term receivables from other undertakings (Note 15)	11,981	12,517
Cash and cash equivalents (Note 19)	6,131	9,508
Total	58,941	98,389

With regard to the financial liabilities category

	Jun 30, 07	Dec 31, 06
	PLN '000	PLN '000
Liabilities arising from loans (Note 22)	10,363	6,791
Liabilities to related undertakings (Note 25)	261	47
Short-term liabilities to other undertakings (Note 17)	54,662	50,855
Long-term liabilities to other undertakings (Note 24)	181	287
Liabilities arising from finance leases (Note 26)	13,405	9,751
Total	78,872	67,731

With regard to the Financial assets available for sale category

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

5. Fair value of financial instruments

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

6. Credit risk

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

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

The Group mitigates credit risk by concluding transactions only with creditworthy undertakings. Before cooperation is initiated, internal preliminary verification procedures are followed. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to the risk of receivables becoming uncollectible is insignificant.

As concerns the Company's financial assets, including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

As at June 30, 2007, financial asset impairment write-downs came to PLN 599,000; as at December 31, 2006, they were PLN 538,000. These write-downs concern own receivables from other undertakings, of which PLN 291,000 are receivables currently under litigation, and PLN 308,000 are receivables which will likely prove uncollectible according to the Group's estimates.

As of June 30, 2007 and December 31, 2006, no financial asset items were present whose repayment terms had been renegotiated.

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

6. Liquidity risk

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

requirements. The Group manages its liquidity risk by maintaining an appropriate amount of capital reserves, by taking advantage of banking services offered and using reserve credit facilities, by monitoring forecasted and actual cash flows on an ongoing basis and by analyzing the maturity profiles of its financial assets and liabilities.

Below, information concerning the contractual maturity dates of financial liabilities has been presented. The information has been drawn up based on non-discounted cash flows.

NOTE 32. EVENTS AFTER THE BALANCE SHEET DATE

- On August 3, 2007, the Management Board of ATM S.A. allocated the H series shares issued pursuant to the resolution of April 20, 2007 concerning the increase in share capital as part of the Company authorized capital through the issue of 1,204,358 (one million two hundred and four thousand three hundred fifty-eight) H series ordinary bearer shares with a face value of PLN 7.60 (seven zloty 60/100) each; existing shareholders retained their subscription rights. The shares were issued and on August 22, 2007, the Management Board of the Company passed a resolution concerning the increase in the Company's share capital.
- On August 21, 2007, pursuant to the investment agreement of May 11, 2007, ATM S.A. acquired 2,750,000 shares from the new issue by the Linx Telecommunications B.V. Company with registered office in Amsterdam for EUR 16.5 million. ATM's stake after the issue will amount to 22% of share capital.
- On August 13, 2007, the Centrum Badawczo-Rozwojowe ATM-Lab sp. z o.o. company with registered office in Warsaw was established. The share capital of the newly established company amounts to PLN 50,050. ATM S.A. took up 1,000 shares with a face value of PLN 50 each, for the total amount of PLN 50,000, which constitutes 99.9% of the company's share capital. One share which constitutes 0.1% of the share capital of the newly incorporated company was taken up by ATM-Mobile sp. z o.o.

HALF-YEAR REPORT ON THE ACTIVITIES OF THE ISSUER'S GROUP OF COMPANIES

1. Information stipulated in accounting regulations

1.1. Events with significant impact on the undertaking's activities which occurred in the first half of the financial year and also afterwards, until the date on which financial statements were approved.

In 2007, the Issuer has continued to build the Group of Companies by acquiring a controlling interest in the Sputnik Software Sp. z o.o. company, buying shares in the Dutch telecommunications operator Linx Telecommunications B.V. and establishing the new Centrum Badawczo-Rozwojowe ATM-Lab sp. z o.o. company.

In this manner, the productive potential of the Group is steadily increasing. The new companies have extended the range of services on offer with regard to the following:

- the development of software and state-of-the-art IT and telecommunications solutions for the public sector, and particularly for local government authorities;
- the implementation of an increasing number of research and development projects by the company, including projects co-financed from EU funds;
- increasing the territorial scope of telecommunications services provided, including telecommunications added value services.

The subsidiary mPay S.A., by the decision of the President of the National Bank of Poland, has obtained authorization to operate a mobile payment authorization and settlement system, and thus gained the status of a Billing Agent. As a result of the NBP decision obtained, mPay S.A., as the first undertaking in Poland, enjoys that status with respect to executing mobile payments. Another step towards the deployment of the mobile payments system in the Polish market has been the agreement signed with Polkomtel S.A., which offers its services under the Plus, Simplus and Sami Swoi brands. The agreement has been the effect of joint work which lasted several months, and the resulting service may prove a revolutionary breakthrough for the Polish payments market.

Taking the increased potential of the Group of Companies into account, the Management Board of ATM S.A. decided to follow the major directions for Group development adopted to date as well as set new development objectives. Fundamental components of the development strategy adopted are:

- the continuation and steady development of traditional activity areas which brought good results in previous years;
- the development of innovative solutions for new market segments (in particular Web content distribution and mobile services) as well as active participation in stimulating the rapid growth of these segments;
- the acquisition of technology companies in order to supplement the product portfolio;
- the acquisition or establishment of new undertakings whose profiles and competencies fit the ATM strategy adopted;
- the development of the Group's offerings for medical services and public administration sectors as well as strengthening its position in the small and medium-sized enterprise segment.

The Issuer also continued to invest in upgrading the telecommunications services infrastructure as well as in proprietary research and development work in order to develop new products and services, which the Issuer plans to gradually include in its range of products and services on offer.

1.2. Projected group development

The Issuer has incurred significant expenditures in order to further upgrade its telecommunications infrastructure, continue the research and development work on new products and make further capital investments. In particular, the Management Board decided that the Group should actively participate in the globalization of the ICT market and signed an agreement pursuant to which it took up 22% of shares in the Dutch Linx Telecommunications BV company, which provides telecommunications services mainly in Central and Eastern European countries.

Solutions leveraging distributed ICT infrastructure, which will make advanced data storage and processing resources widely available and easy to use, remain the Group's core business. Moreover, the steadily extending Data Center has been a success, and the main product from the Atmosfera line — a package supporting IT department operations — not only brings increasing revenues, but it also has been awarded the Teleinfo Golden Processor award and (as the first Polish software package) has obtained the prestigious PinkVerify™ Service Support certification.

ATM S.A. has strengthened its position as an attractive partner for telecommunications operators for several years now. Financial services, industry, energy supply, science and media sectors are also important for ATM. While taking care not to neglect these groups of customers, the Management Board intends to adjust its product and service portfolio to the needs of those market segments which, in the opinion of the Management Board, will make significant investments in ICT tools in order to support their operations in the coming years. In 2007, ATM has developed products and services aimed at customers from two new important market segments: the medical services market and public administration sector.

1.3. Major research and development achievements

The Company's research and development work is largely focused on the construction of a platform enabling the distribution of multimedia content, including interactive TV services, via the Web. First platform modules have already been commissioned and are used to convert movies to a format suitable for distribution within the framework of the videostrada.tp service (under the agreement with Telekomunikacja Polska S.A. signed in October 2006) and to provide video on demand services in the BAIT network (from March 1, 2007).

The products developed as a result of proprietary research and development, e.g. the distributed architecture of the multimedia archive, are used as technological platforms on which specific solutions (e.g. concerning Web movie distribution or teleradiology) are based.

1.4. Current and projected financial standing

The Group's sales revenue in the first half of 2007 amounted to PLN 84,936,000, and was 53% higher than in the same period of the previous year. This growth was primarily fuelled by product sales, while goods and material sales remained unchanged.

In the first half of 2007, the Group recorded an operating loss and net loss of PLN 134,000. The loss was the result of the Company's extensive investment activities and the planned increase in fixed costs, which was required in order to achieve the projected profit over the entire year. Due to the nature of its operations, the Issuer obtains most of its annual revenue and the greatest part of its annual profit in the fourth quarter of the year.

Integrated ICT systems as well as telecommunications and value added services account for over 90% of the Company's revenue. Moreover, the Company provides business security services and offers application solutions as well as multimedia solutions and services. Compared to the first

half of the year, the sales of integrated ICT systems as well as application solutions and multimedia services have grown at the fastest pace. The Management Board expects a further steady growth in revenue and profits of the entire Group of Companies as well as a noticeable impact of the operations of companies which are starting to provide their innovative services.

The Group's financial ratios calculated for the first half of 2007 are as follows:

Receivables turnover (days)	129
Payables turnover (days)	43
Current liquidity ratio	86%
Debt ratio	3%

The fairly long receivables turnover period is the result of the fact that long-term receivables related to multi-year contracts have been included in the financial statements. Compared to the previous year, this ratio has improved as a result of a decrease in the amount of receivables, including a decrease in long-term receivables.

For the purpose of calculating the payables turnover period, trade liabilities have been included, while lease liabilities have been excluded. The payables turnover figure is low due to the nature of the Group's operations, which are primarily based on the competences of the Issuer's management and staff, and suppliers account for a relatively small share of total operating expenses.

The liquidity ratio is influenced by the scale of the Issuer's investment activities, which is the result of rapid development in the sector in which the Issuer operates. This ratio is similar to those of other ICT sector companies, or even higher.

The financial standing of the Company is stable and no factors are known which could lead to its deterioration in the future. In 2007, G and H series shares were issued in order to fund the Group's further investment plans.

Subsidiaries like KLK Technologie Informatyczne sp. z o.o. and Sputnik Software sp. z o.o. fund part of their operations using authorized overdrafts. However, the debt ratio of the entire Group of Companies is very low.

The Company's investment activities are reflected by the acquisitions of companies engaged in complementary business activities. The book value of shares in undertakings included in the Group of Companies as at June 30, 2007 was PLN 23,406,000.

A noteworthy phenomenon in the Company's balance sheet is the increase in the value of property, plant and equipment, which amounted to almost 29%; the value of property, plant and equipment exceeded PLN 60,570,000. This confirms the very active efforts of the Company to build an ICT infrastructure in order to ensure steady growth in the future. The infrastructure developed is not only a valuable and indispensable tool used to provide increasingly sophisticated ICT services, but also to some extent an attractive commodity which can be sold in order to realize additional profits.

1.5. Purchase of treasury shares

In 2007, the Issuer did not purchase treasury shares and does not intend to purchase them during this year. The Issuer's subsidiaries and other undertakings included in the Group of Companies did not purchase treasury shares as well and do not intend to do so in the immediate future.

1.6. Company's branches

The Company does not have branches that would engage in independent business activities. It does, however, have a Branch in Katowice, which is used by the Company to provide telecommunications services in southern Poland.

1.7. Information on financial instruments used

The Company concluded an operating lease agreement concerning its Telecommunications Center in December 2005. The term of the lease is 15 years and the value of the leased asset is denominated in euro.

The Company also uses finance lease agreements when purchasing equipment in order to upgrade its telecommunications infrastructure. Lease terms range from three to five years. The value of the leased asset is also stated in euro. New lease agreements are denominated in Polish zlotys.

2. Risks and threats

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

In the opinion of the Management Board, the current favorable economic climate, involving a general increase in investments as well as integration with European markets, mitigates the risks associated with the core business of the Issuer. Threats include the risk of a downturn in current favorable trends and deterioration of the economic climate as well as the failure of the European integration process.

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

President of the Management Board

Vice-President of the Management Board

Roman Szwed

Tadeusz Czichon

MANAGEMENT BOARD STATEMENT

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

President of the Management Board

Vice-President of the Management Board

Roman Szwed

Tadeusz Czichon

MANAGEMENT BOARD STATEMENT

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

President of the Management Board

Vice-President of the Management Board

Roman Szwed

Tadeusz Czichon

ATM S.A. FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN JANUARY 1, 2007 AND JUNE 30, 2007

INTRODUCTION TO THE FINANCIAL STATEMENTS

1. Company information

- a) Name: ATM Spółka Akcyjna
- b) registered office: Warszawa, ul. Grochowska 21a
- c) registration authority: District Court for the capital city of Warsaw, 20th Commercial Division of the National Court Register, Register of Entrepreneurs, KRS No. 000 0034947
- 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
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. Financial statements for the period from January 1 to June 30, 2007 and the following comparable statements are presented:

for the period from January 1 to June 30, 2006 for profit and loss account items;
as at December 31, 2006 for balance sheet items.

4. Governing bodies of the Company:

Management Board:

Roman Szwed	President
Tadeusz Czichon	Vice-President

Supervisory Board:

Jan Wojtyński	Chairman
Tomasz Tuchołka	Deputy Chairman
Sławomir Kamiński	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 parent undertaking with respect to:

- ATM Services sp. z o.o. with its registered office in Łódź at ul. Łąkowa 29;
- ATM Mobile sp. z o.o. with its registered office in Warsaw at ul. Grochowska 21a;
- iloggo sp. z o.o. with its registered office in Warsaw at ul. Grochowska 21a;
- mPay S.A. with its registered office in Warsaw at ul. Grochowska 21a;
- Rec-order sp. z o.o. with its registered office in Warsaw at ul. Grochowska 21a;
- Cineman Sp. z o.o. with its registered office in Warsaw at ul. Grochowska 21a;
- KLK Technologie Informatyczne Sp. z o.o. with its registered office in Katowice at ul. Pod Młynem 1C;
- Sputnik Software Sp. z o.o. with its registered office in Poznań at ul. Kordeckiego 30B.

The Issuer draws up consolidated financial statements.

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

8. Comparability of financial statements

The financial statements for the period from January 1 to June 30, 2007 have been drawn up pursuant to the Accounting Act of September 29, 1994 and the Polish Accounting Standards.

9. Adjustments due to qualified opinions of certified auditors

No adjustments have been made to 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 preparation of the financial statements and comparable data

Property, plant and equipment, intangible assets

Fixed assets and intangible assets are valued at acquisition price or cost of production and extension 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 directly related to their acquisition or production.

Third party fixed assets or intangible assets acquired for use under lease agreements are considered fixed assets if the respective agreement meets the requirements of the Act.

Assets are depreciated according to the declining balance depreciation method. Depreciation or amortization periods and annual depreciation or amortization rates are determined on the basis of the fixed assets' or intangible assets' useful economic life. Depreciation and amortization periods and rates are validated on a regular basis.

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

Buildings and premises, civil engineering facilities	2%–10%
Plant and machinery	5%–25%
Means of transportation	14.3%

Annual amortization rates for intangible assets are as follows:

Computer software licenses	50%
Research and development work	20%

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 acquisition price less impairment charges.

Short-term investments

Financial assets considered short-term investments are classified as financial assets held for trading. These include short-term corporate debt securities and Treasury bills, and are measured at fair value.

Inventories

Inventories are valued at actual purchase prices which cannot exceed the net selling price.

Receivables

Receivables are valued according to the amount due, according to the prudence principle, and are recognized at net value (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 are valued as at the balance sheet date according to the average exchange rate for the currency in question published by the National Bank of Poland for that date.

Short-term financial assets

Financial assets include domestic legal tender, foreign exchange and short-term corporate debt securities or Treasury bills classified as financial assets held for trading. Financial assets also include the interest accrued on financial assets. Foreign exchange is valued as at the balance sheet date according to the average exchange rate published by the National Bank of Poland for that date. Financial assets held for trading 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. The timing and method of recognition depends on the type of costs; they are recognized according to the prudence 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 recognized at face value as stipulated in the Articles of Association and entered in the National Court Register.

Provisions for liabilities

Provisions for liabilities are valued at amounts that are reasonable and estimated 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 are valued as at the balance sheet date at amortized cost using the effective interest rate method.

Liabilities other than financial liabilities are recognized at the amount due.

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

Short-term accruals and deferred income

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

- services provided to the undertaking by its counterparties if the amount of the liability can be estimated in a reliable manner;
- the requirement to perform future services for unknown parties in relation to ongoing business operations, the amount of which can be estimated despite the fact that the date on which the liability will arise is not yet known, including warranty repairs and implied warranties of merchantability for long-life products sold;
- deferred income is recognized in accordance with the prudent valuation principle, and includes without limitation the equivalent of funds received or due from counterparties 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 financial year.

Net revenue on sales and tax-deductible expenses

Net revenue on sales is recognized when goods are delivered or services are provided. With respect to services which are performed over more than six months, and which have been completed 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 to which the service has been completed. Sales are recognized at net value, i.e. excluding VAT and any discounts granted.

The sales revenue shown in the profit and loss account has been based on the volume of sales allocated to relevant 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.

Tax-deductible expenses related to sales include expenses stemming from the Company's core business, 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 tax-deductible expenses are allocated to relevant reporting periods to which they pertain, 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 individual account symbols facilitate the breakdown of costs by function.

Other operating revenue and expenses

Other operating revenue and expenses include all revenue and expenses which are not directly associated with ordinary operations and which impact earnings.

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 are one-off events unrelated to the Company's ordinary business operations, and which are not related to the general risk associated with such business operations.

Mandatory charges on the financial result

Mandatory charges on the financial result include corporate income tax and equivalent payments made pursuant to separate regulations. The income tax includes the current portion and deferred portion, which is the difference between the opening balance and closing balance of deferred income tax provisions and assets.

Rules for the determination of the financial result

The financial result is calculated pursuant to the provisions of Articles 4 through 8 of the Accounting Act. The Company draws up a profit and loss account based on the nature of expenses. For the purposes of the financial statements, the format based on the nature of expenses has been transformed into one based on their function.

Deferred income tax

Due to temporary differences between the values of assets and liabilities recognized in books of account and their tax value, as well as the tax loss deductible in the future, provisions are established and assets determined with regard to deferred income tax.

Deferred income tax assets are determined 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 income tax base and deductible tax loss determined in accordance with the prudent valuation principle.

Deferred income tax provisions are 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 income tax base in the future.

The amounts of deferred income tax provisions and deferred income tax assets are determined taking into account the income tax rates in effect in the year in which the tax liability arises.

The difference between the opening balance and closing balance of deferred income tax provisions and assets affects the financial result; deferred income tax provisions and assets related to transactions which are recognized in equity are also recognized in equity.

Drawing up of financial statements and comparable data

Financial statements are made as at the closing date of books of account.

Financial statements consist of the following items:

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

Financial statements are drawn up in the Polish language and expressed in the Polish currency.

The accounting principles adopted by the Company are applied consistently, with classifications of business transactions, valuation of assets and liabilities, determination of the financial result and preparation of the financial statements carried out in the same way in consecutive financial years so that the information resulting therefrom is comparable.

11. Average EUR/PLN exchange rates

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

Period	Average exchange rate during the period ¹⁾	Minimum exchange rate during the period ²⁾	Maximum exchange rate during the period ²⁾	Exchange rate on the last day of the period
January 1, 2007 to June 30, 2007	3.8486	3.7465	3.9385	3.7658
January 1, 2006 to December 31, 2006	3.8991	3.7565	4.1065	3.8312
January 1, 2006 to June 30, 2006	3.9002	3.7565	4.1065	4.0434

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

2) Exchange rate tables:

1. 86/A/NBP/2007;
2. 36/A/NBP/2006.

3) Exchange rate tables:

3. 21/A/NBP/2007;
4. 122/A/NBP/2006.

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

12.1. Key balance sheet items

Data (in thousands)		Jun 30, 2007		Dec 31, 2006		Jun 30, 2006	
		PLN	EUR	PLN	EUR	PLN	EUR
	Total assets	149,812	39,782	154,823	40,411	106,478	26,334
I	Fixed assets	89,409	23,742	73,654	19,225	50,992	12,611
II	Current assets	60,403	16,040	81,169	21,186	55,486	13,723
	Total liabilities	149,812	39,782	154,823	40,411	106,478	26,334
I	Equity	81,363	21,606	98,780	25,783	75,092	18,572
II	Liabilities and provisions for liabilities	68,449	18,176	56,044	14,628	31,386	7,762

1. For the conversion of balance sheet data as at the last day of the current period, i.e. June 30, 2007, the EUR exchange rate determined by the National Bank of Poland for that date has been used (i.e. 3.7658 PLN/EUR).
2. For the conversion of balance sheet data as at the last day of the comparable period, i.e. December 31, 2006, the EUR exchange rate determined by the National Bank of Poland for that date has been used (i.e. 3.8312 PLN/EUR).
3. For the conversion of balance sheet data as at the last day of the comparable period, i.e. June 30, 2006, the EUR exchange rate determined by the National Bank of Poland for that date has been used (i.e. 4.0434 PLN/EUR).

12.2. Key profit and loss account items

<i>Data (in thousands)</i>	Jan 1, 2007 — Jun 30, 2007		Jan 1, 2006 — Dec 31, 2006		Jan 1, 2006 — Jun 30, 2006	
	PLN	EUR	PLN	EUR	PLN	EUR
I Net revenue on sales of products, goods and materials	59,611	15,489	127,765	32,768	57,090	14,638
II Cost of products, goods and materials sold	42,762	11,111	85,009	21,802	39,160	10,041
III Gross profit (loss) on sales	16,849	4,378	42,756	10,966	17,931	4,597
IV Selling costs	975	253	1,163	298	416	107
V General and administrative costs	16,313	4,239	29,629	7,599	13,728	3,520
VI Profit (loss) on sales	(439)	(114)	11,964	3,068	3,787	971
VII Other operating revenue	5,220	1,356	26,798	6,873	2,090	536
VIII Other operating expenses	4,995	1,298	6,838	1,754	1,992	511
IX Operating profit (loss)	(214)	(56)	31,924	8,829	3,885	996
X Financial revenue	424	110	1,332	342	451	116
XI Financial expenses	531	138	518	133	1325	340
XII Gross profit (loss) on business activities	(320)	(83)	32,738	8,358	3,010	772
XIII Result on extraordinary events	0	0	0	0	0	0
XIV Gross profit (loss)	(320)	(83)	32,738	8,396	3,010	772
XV Income tax	150	39	6,447	1,653	607	156
XVI Other mandatory reductions in profit (increases in loss)	0	0	0	0	0	0
XVII Net profit (loss)	(470)	(122)	26,291	6,743	2,403	616

1. For the conversion of data in the profit and loss account during the period between January 1, 2007 and June 30, 2007, 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. 3.8486 PLN/EUR.
2. For the conversion of data in the profit and loss account during the period between January 1, 2006 and December 31, 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. 3.8991 PLN/EUR.
3. For the conversion 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. 3.9002 PLN/EUR.

12.3. Key cash flow account items

Data (in thousands)		Jan 1, 2007 — Jun 30, 2007		Dec 31, 2006		Jan 1, 2006 — Jun 30, 2006	
		PLN	EUR	PLN	EUR	PLN	EUR
A.	Net cash flows from operating activities	(14,873)	(3,865)	(495)	(127)	3,230	828
B.	Net cash flows from investment activities	5,531	1,437	20,447	5,244	15,623	4,006
C.	Net cash flows from financial activities	6,675	1,734	(17,403)	(4,463)	(15,423)	(3,954)
D.	Net cash flows	(2,667)	(693)	2,549	653	3,430	879
E.	Change in net cash and cash equivalents	(2,667)	(708)	2,549	665	3,430	848
F.	Opening balance of cash	4,350	1,135	1,801	467	1,802	467
G.	Closing balance of cash	1,683	447	4,350	1,135	5,232	1,294

1. For the conversion of cash flow account data during the period between January 1, 2007 and June 30, 2007, the following exchange rates have been used:
 - a) for cash flows from individual types 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. 3.8486 PLN/EUR;
 - b) for the change in net cash and cash equivalents and closing balance of cash: the exchange rate in effect on June 30, 2007, i.e. 3.7658 PLN/EUR;
 - c) for the opening balance of cash: the exchange rate in effect on December 31, 2006, i.e. 3.8312 PLN/EUR.

2. For the conversion of cash flow account data during the comparable period between January 1, 2006 and December 31, 2006, the following exchange rates have been used:
 - a) for cash flows from individual types 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. 3.8991 PLN/EUR;
 - b) for the change in net cash and cash equivalents and closing balance of cash: the exchange rate in effect on December 31, 2006, i.e. 3.8312 PLN/EUR;
 - c) for the opening balance of cash: the exchange rate in effect on December 31, 2005, i.e. 3.8598 PLN/EUR.

3. For the conversion of cash flow account data during the comparable period between January 1, 2006 and June 30, 2006, the following exchange rates have been used:
 - a) for cash flows from individual types 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. 3.9002 PLN/EUR;
 - b) for the change in net cash and cash equivalents and closing balance of cash: the exchange rate in effect on December 31, 2006, i.e. 4.0434 PLN/EUR;
 - c) for the opening balance of cash: the exchange rate in effect on December 31, 2005, i.e. 3.8598 PLN/EUR.

BALANCE SHEET – ASSETS

	NOTES	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
I. Fixed assets				
1. Intangible assets	1	3,703	2,038	427
2. Property, plant and equipment	2	60,351	50,449	48,773
3. Long-term receivables	3	19	166	160
3.1. From related undertakings		-	-	-
3.2. From other undertakings		19	166	160
4. Long-term investments	4	24,007	20,182	1,105
4.1. Long-term financial assets		24,007	20,182	1,105
a. in related undertakings		24,007	19,972	1,105
b. in other undertakings		-	210	-
5. Long-term prepayments and accrued income		1,329	819	527
5.1. Deferred income tax assets	5	1,144	588	402
5.2. Other prepayments and accrued income	5	185	231	125
		89,409	73,654	50,992
II. Current assets				
1. Inventories	6	5,762	2,975	2,634
2. Short-term receivables	7	41,542	69,298	26,698
2.1. From related undertakings		5,718	27,019	1,319
2.2. From other undertakings		35,824	42,279	25,379
3. Short-term investments	8	1,683	4,350	23,714
3.1. Short-term financial assets		1,683	4,350	23,714
a. in related undertakings		-	-	200
b. in other undertakings		-	-	18,282
c. cash and cash equivalents		1,683	4,350	5,232
4. Short-term prepayments and accrued income	9	11,416	4,546	2,440
		60,403	81,169	55,496
Total assets		149,812	154,823	106,478

BALANCE SHEET – LIABILITIES

	NOTES	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
I. Equity				
1. Share capital	11	25,047	24,526	24,526
2. Supplementary capital	12	28,409	20,837	20,989
3. Revaluation reserve		-	-	-
4. Treasury shares		-	-	-
5. Other reserve capital	13	24,607	23,362	23,362
6. Profit (loss) from previous years		3,770	3,764	3,812
7. Net profit (loss)		(470)	26,291	2,403
		81,363	98,780	75,092
II. Liabilities and provisions for liabilities				
1. Provisions for liabilities		3,077	2,377	1,954
1.1. Provisions for deferred income tax	14	3,077	2,377	1,953
2. Long-term liabilities	15	9,153	6,740	4,528
2.1. To related undertakings		-	-	-
2.2. To other undertakings		9,153	6,740	4,528
3. Short-term liabilities	16	50,014	42,800	23,373
3.1. To related undertakings		1,090	47	60
3.2. To other undertakings		48,793	42,602	23,138
3.3. Special funds		131	151	175
4. Accruals and deferred income	17	6,205	4,126	1,531
a. long-term		1,467	1,066	17
b. short-term		4,738	3,060	1,514
		68,449	56,043	31,386
Total liabilities		149,812	154,823	106,478
Book value		81,363	98,780	75,092
Number of shares		3,295,642	3,227,040	3,227,040
Book value per share (PLN)		24.69	30.61	23.27
Diluted shares		4,500,000	3,295,642	3,227,040
Diluted book value per share (PLN)		52.87	32.42	23.27

OFF-BALANCE SHEET ITEMS

NOTES	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
1. Contingent receivables			
1.1. From other undertakings:	291	291	291
- damages	291	291	291
	<u>291</u>	<u>291</u>	<u>291</u>
2. Contingent liabilities			
2.1. To other undertakings:	5,179	7,035	4,189
- guarantees and endorsements	2,679	7,035	4,189
- promissory notes as security	2,500	-	-
	<u>5,179</u>	<u>7,035</u>	<u>4,189</u>
Total off-balance sheet items	<u>5,470</u>	<u>7,326</u>	<u>4,480</u>

PROFIT AND LOSS ACCOUNT

	NOTES	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
I. Net revenue on sales of products, goods and materials, of which:		59,611	127,765	57,090
- from related undertakings		2,003	614	299
1. Net revenue on sales of products	19	36,983	65,799	32,008
2. Net revenue on sales of goods and materials	20	22,628	61,966	25,082
II. Cost of products, goods and materials sold, of which:		42,762	85,009	39,160
- to related undertakings		831	9	8
1. Manufacturing costs of products sold	21	23,833	41,933	20,603
2. Value of goods and materials sold		18,929	43,076	18,557
III. Gross profit (loss) on sales		16,849	42,756	17,930
IV. Selling costs		975	1,163	416
V. General and administrative costs		16,313	29,629	13,726
VI. Profit (loss) on sales		(439)	11,964	3,786
VII. Other operating revenue	22	5,220	26,798	2,090
1. Profit on sale of non-financial fixed assets		-	19,824	11
2. Subsidies		191	166	-
3. Other operating revenue		5,029	6,808	2,079
VIII. Other operating expenses	23	4,995	6,838	1,992
1. Loss on sale of non-financial fixed assets		9	-	-
2. Revaluation of non-financial assets		4	240	87
3. Other operating expenses		4,982	6,598	1,905
IX. Operating profit (loss)		(214)	31,924	3,885
X. Financial revenue	24	424	1,332	451
1. Interest		127	658	451
2. Other		297	674	-
XI. Financial expenses	25	530	518	1,325
1. Interest		196	98	48
2. Other		334	420	1,277
XII. Profit (loss) on business activities		(320)	32,738	3,010
XIII. Gross profit (loss)		(320)	32,738	3,010
XIV. Income tax	26	150	6,447	607
a. current		-	6,334	683
b. deferred		150	113	(76)
XV. Net profit (loss)		(470)	26,291	2,403
Net profit (loss), annualized		5,219*	26,291	4,806
Weighted average number of ordinary shares		3,273,280	3,227,040	3,227,040
Profit (loss) per ordinary share (PLN)		1.59	8.15	1.49
Weighted average number of diluted ordinary shares		4,477,638	3,295,642	3,227,040
Diluted profit (loss) per ordinary share (PLN)		1.17	7.98	1.49

* For the purpose of 2007 calculations, projected end 2007 performance was used, accounting for seasonal changes in sales.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
I. Opening balance of equity	98,780	75,813	75,813
I.a. Opening balance of equity after reconciliation with comparable data	98,780	75,813	75,813
1. Opening balance of share capital	24,526	24,526	24,526
2.1. Changes in share capital	521	-	-
a. increases	521	-	-
- issue of shares	521	-	-
1.1. Closing balance of share capital	25,047	24,526	24,526
2. Opening balance of supplementary capital	20,837	20,987	20,989
2.1. Changes in supplementary capital	7,572	(152)	-
a. increases	7,683	-	-
- share premium	7,683	-	-
b. decreases	111	152	-
- costs of issue of new series of shares	111	152	-
2.1. Closing balance of supplementary capital	28,409	20,837	20,989
3. Opening balance of other reserve capital	23,362	11,050	11,050
3.1. Changes in other reserve capital	1,245	12,312	12,312
a. increases	1,245	12,312	12,312
- profit distribution	1,245	12,312	12,312
3.2. Closing balance of other reserve capital	24,607	23,362	23,362
4. Opening balance of profit from previous years	30,055	19,250	19,250
a. changes in accounting policies	-	3,814	3,814
4.2. Opening balance of profit from previous years	30,055	23,064	23,064
a. increases	5	-	-
- distribution of profit from previous years	5	-	-
b. decreases	26,290	19,300	19,252
- transferred to capital reserve	1,244	12,312	12,312
- dividend payouts	25,046	6,938	6,938
- income tax adjustments	-	2	2
- distribution of profit from previous years	-	48	-
4.3. Closing balance of profit from previous years	3,770	3,764	3,812
5. Net result	(470)	26,291	2,403
a. net profit	-	26,291	2,403
b. net loss	470	-	-
II. Closing balance of equity	81,363	98 780	75,092
III. Equity after adjustments for the proposed distribution of profit (coverage of loss)	81,363	73,733	75,092

CASH FLOW STATEMENT

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
A. Cash flows from operating activities			
I. Net profit (loss)	(470)	26,291	2,403
II. Total adjustments	(14,403)	(26,787)	828
1. Amortization and depreciation	3,662	5,952	2,668
2. FX gains (losses)	(174)	(638)	(2)
3. Interest and profit sharing (dividends)	446	2,493	959
4. Profit (loss) on investment activities	(2)	(19,939)	(139)
5. Movements in provisions	706	121	515
6. Movements in inventories	(2,787)	(612)	(270)
7. Movements in receivables	9,751	(15,740)	14,042
8. Movements in short-term liabilities excluding loans	(19,969)	4,070	(15,387)
9. Movements in prepayments and accruals	(5,845)	(2,329)	(1,558)
10. Other adjustments	(191)	(164)	-
	(14,873)	(495)	3,231
B. Cash flows from investment activities			
I. Inflows	23,593	48,780	42,997
1. Sale of intangible assets and property, plant and equipment	23,242	48,366	42,698
2. Sale of investments in real estate and intangible assets	-	-	-
3. From financial assets, of which:	234	410	296
a. in related undertakings	-	-	-
b. in other undertakings	234	410	296
- sale of financial assets	210	-	-
- interest	24	410	296
4. Other investment inflows	117	4	3
II. Outflows	18,062	28,333	27,373
1. Purchase of intangible assets and property, plant and equipment	14,023	16,404	7,836
2. Investments in real estate and intangible assets	-	-	-
3. For financial assets, including:	4,035	11,922	19,333
a. in related undertakings	4,035	11,712	1,051
- purchase of financial assets	4,035	11,712	1,051
b. in other undertakings	-	210	18,282
- purchase of financial assets	-	210	18,282
4. Other investment outflows	4	7	204
	5,531	20,447	15,623
B. Cash flows from financial activities			
I. Inflows	8,845	8,472	297
1. Net inflows from the issue of shares and other capital instruments and from capital contributions	8,094	-	-
2. Loans	-	6,755	-
3. Other financial inflows	751	1,717	297
II. Outflows	2,170	25,875	15,720
1. Dividends and other payments to shareholders	-	6,938	-
2. Repayment of loans	-	13,683	13,683
3. Payment of liabilities arising from finance leases	1,687	2,084	709
4. Interest	470	2,938	1,255
5. Other financial outflows	13	232	73
	6,675	(17,403)	(15,423)

D. Total net cash flows	(2,667)	2,549	3,431
E. Change in net cash and cash equivalents	(2,667)	2,548	3,430
F. Opening balance of cash	4,350	1,801	1,801
G. Closing balance of cash, of which:	1,683	4,350	5,232
- restricted cash	23	43	76

CONDENSED NOTES

NOTE 1. INTANGIBLE ASSETS

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. costs of completed development work	1,879	135	169
b. concessions, patents, licenses and similar assets, of which:	1,824	1,903	258
- computer software	1,824	1,903	258
Total intangible assets	3,703	2,038	427

Changes in intangible fixed asset value by type from January 1, 2007 to June 30, 2007

	Costs of completed development work	Concessio ns and licenses	of which: computer software	Other intangible assets	Total
Gross value					
Balance at beginning of period	301	3,500	3,500	-	3,801
Increases:	1,771	410	410	-	2,181
- acquisition	-	410	410	-	410
- developed in-house	1,771	-	-	-	1,772
Decreases:		6	6		6
- sale		6	6	-	6
- liquidation	-	-	-	-	-
Balance at period end	2,072	3,904	3,904	-	5,976
Write-offs					
Balance at beginning of period	166	1,598	1,598	-	1,764
Increases:	27	488	488	-	515
- amortization	27	488	488	-	515
- impairment	-	-	-	-	-
Decreases:		6	6		6
- sale		6	6	-	6
- liquidation	-	-	-	-	-
Balance at period end	193	2,080			2,273
Net value at period end	1,879	1,824	1,824	-	3,703

Ownership structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. owned by the Company	2,210	1,623	297
b. used pursuant to a rental or other agreement, including lease agreements	493	415	130
Total intangible assets	3,703	2,038	427

NOTE 2.
PROPERTY, PLANT AND EQUIPMENT

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. fixed assets, of which:	54,428	48,484	43,022
- land (including perpetual usufruct of land)	-	-	-
- buildings and premises, civil engineering facilities	24,949	21,822	19,389
- plant and machinery	26,230	23,766	20,842
- means of transportation	3,249	2,896	2,791
b. fixed assets under construction	5,923	1,965	5,751
Total property, plant and equipment	60,351	50,449	48,773

Changes in fixed assets by type from January 1, 2007 to June 30, 2007

	Land	Buildings and structures	Plant and machinery	Means of transportation	Other fixed assets	Total
Gross value						
Balance at beginning of period	-	25,104	39,433	4,382	-	68,919
Increases:	-	3,622	5,066	575	-	9,263
- acquisition	-	3,622	5,066	575	-	9,263
- other	-	-	-	-	-	-
Decreases:	-	-	329	-	-	329
- sale	-	-	314	-	-	314
- liquidation	-	-	15	-	-	15
- finance lease expiry	-	-	-	-	-	-
- donations	-	-	-	-	-	-
- other	-	-	-	-	-	-
Balance at period end	-	28,726	44,170	4,957	-	77,853
Write-offs						
Balance at beginning of period	-	3,282	15,667	1,486	-	20,435
Increases:	-	495	2,430	222	-	3,147
- depreciation	-	495	2,430	222	-	3,147
- impairment	-	-	-	-	-	-
Decreases:	-	-	157	-	-	157
- sale and liquidation	-	-	157	-	-	157
- donations	-	-	-	-	-	-
- other	-	-	-	-	-	-
Balance at period end	-	3,777	17,940	1,708	-	23,425
Net value at period end	-	24,949	26,230	3,249	-	54,428

Ownership structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. owned by the Company	40,186	37,921	35,799
b. used pursuant to a rental or other agreement, including lease agreements, of which:	14,242	10,563	7,223
- plant and machinery	12,512	9,087	5,832
- means of transportation	1,730	1,476	1,391
Total fixed assets	54,428	48,484	43,022

Off-balance sheet fixed assets

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Used pursuant to a rental or other agreement, including lease agreements, of which:	38,819	39,948	42,654
- land, buildings	38,819	39,948	42,654
Total fixed assets	38,819	39,948	42,654

**NOTE 3.
LONG-TERM RECEIVABLES**

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. from related undertakings	-	-	-
b. from other undertakings, arising from:	19	166	160
- guarantee deposits	19	15	9
- deposit arising from management option scheme settlement	-	151	151
Net long-term receivables	19	166	160
Receivable write-downs	-	-	-
Gross long-term receivables	19	166	160

Movements in long-term receivables by type

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
a. balance at beginning of period	166	339	339
- guarantee deposits	15	9	9
- deposit arising from management option scheme settlement	151	330	330
b. increases	4	6	-
- guarantee deposits	4	6	-
- deposit arising from management option scheme settlement	-	-	-
c. decreases	151	179	179
- guarantee deposits	-	-	-
- deposit arising from management option scheme settlement	151	179	179
d. balance at end of period	19	166	160
- guarantee deposits	19	15	9
- deposit arising from management option scheme settlement	-	151	151

Currency structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Denominated in Polish currency	19	166	160
Total long-term receivables	19	166	160

NOTE 4. LONG-TERM INVESTMENTS**Long-term financial assets**

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. in related undertakings	24,007	19,972	1,105
- shares	23,407	19,972	1,105
- loans extended	600	-	-
b. in other undertakings	-	210	-
- other long-term financial assets	-	210	-
- deposit as security for bank guarantee	-	210	-
Total long-term financial assets	24,007	20,182	1,105

Movements in long-term financial assets by type

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
a. balance at beginning of period	20,182	54	54
- shares in subsidiaries	19,972	54	54
- deposit as security for bank guarantee	210	-	-
b. increases	4,035	20,128	1,051
- taking up shares in subordinated undertakings	3,435	20,128	1,051
- extending loans	600	-	-
- establishing a deposit as security for bank guarantee		210	-
c. decreases	210		-
- deposit release	210		-
c. balance at end of period	24,007	20,182	1,105
- shares in subsidiaries	23,407	19,972	1,105
- loans extended to subsidiaries	600	-	-
- deposit as security for bank guarantee	-	210	-

Shares in subordinated undertakings as at June 30, 2007

No.	Name	Registered office	Subject of enterprise	Type of relationship	Consolidation method	Date on which control was assumed	Value of shares at acquisition price	Stake in share capital	Share in overall number of votes at the General Meeting	Other grounds for control
1.	ATM Services Sp. z o.o.	Łódź ul.Łąkowa 29	IT services	subsidiary	Full consolidation method	April 23, 2001	304	60.00	60.00	-
2.	ATM Mobile Sp. z o.o.	Warszawa ul.Grochowska 21a	intellectual property management	subsidiary	Full consolidation method	February 2, 2006	4,351	60.00	60.00	-
3.	mPay Sp. z o.o.	Warszawa ul.Grochowska 21a	mobile payment settlement	subsidiary	Full consolidation method	February 2, 2006	1	0.01	0.01	99.99% of share capital held by ATM-Mobile Sp. z o.o.
4.	Rec-order Sp. z o.o.	Warszawa ul.Grochowska 21a	online sales	subsidiary	Full consolidation method	February 2, 2006	-	0.12	0.12	99.99% of share capital held by ATM-Mobile Sp. z o.o.
5.	Iloggo Sp. z o.o.	Warszawa ul.Grochowska 21a	Web services	subsidiary	Full consolidation method	February 13, 2006	300	60.00	60.00	-
6.	Cineman Sp. z o.o.;	Warszawa ul.Grochowska 21a	Web multimedia services	subsidiary	Full consolidation method	August 21, 2006	306	51.00	51.00	-
7.	KLK – Technologie Informatyczne Sp. z o.o.	Katowice, ul.Pod Młynem 1c	integration of ICT systems	subsidiary	Full consolidation method	October 31, 2006	15,110	78.74	78.74	-
8.	Sputnik Software Sp. z o.o.	Poznań, ul.Kordeckiego 30b	software development	subsidiary	Full consolidation method	March 27, 2007	3,035	60.00	60.00	-

Securities, shares and other long-term financial assets — currency structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Denominated in Polish currency	24,007	20,182	1,105
Total securities, shares and other long-term financial assets	24,007	20,182	1,105

Securities, shares and other long-term financial assets — by transferability

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
1. Unlimited transferability, not listed in the regulated market (balance sheet value)	-	210	-
- deposit as security for bank guarantee	-	210	-
2. Limited transferability	24,007	19,972	1,105
- shares	23,407	19,972	1,105
- loans extended	600		
Total securities, shares and other long-term financial assets	24,007	20,182	1,105

NOTE 5. PREPAYMENTS AND ACCRUED INCOME**Movements in deferred income tax assets**

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
1. Balance at beginning of period, of which:	588	580	580
a. recognized in financial result	588	580	580
2. Increases	562	114	42
a. recognized in financial result as a result of negative temporary differences, due to:	562	114	42
- origination of temporary differences	562	114	33
- reversal of temporary differences	-	-	9
3. Decreases	6	106	220
a. recognized in financial result for the period as a result of negative temporary differences, due to:	6	7	121
- reversal of temporary differences	-	-	-
- write-off of deferred income tax assets	6	7	121
a. recognized in financial result as a result of tax loss, due to:	-	99	99
- use of 2002 tax loss	-	99	99
d. balance at end of period, of which	1,144	588	402
a. recognized in financial result	1,144	588	402

Other prepayments and accrued income

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Prepayments, of which:	185	231	125
- prepaid maintenance costs	185	231	125
Total prepayments	185	231	125

NOTE 6. INVENTORIES

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Materials	1,031	1,175	1,215
Goods	4,702	1,792	1,414
Payments on account	29	8	5
Total inventories	5,762	2,975	2,634

NOTE 7. SHORT-TERM RECEIVABLES

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. from related undertakings	5,718	27,019	1,319
- trade receivables with payment periods of:	5,718	27,019	1,319
- up to 12 months	5,718	27,019	322
- more than 12 months	-	-	997
b. from other undertakings	35,824	42,279	25,379
- trade receivables with payment periods of:	35,334	42,011	24,610
- up to 12 months	21,053	27,658	16,944
- more than 12 months	14,281	14,353	7,666
- related to taxes, subsidies, customs duties, social security and health insurance and other benefits	59	32	29
- other	431	236	740
- receivables under litigation	-	-	-
Total net short-term receivables	41,542	69,298	26,698
c. receivable write-downs	511	538	549
Total gross short-term receivables	42,053	69,836	27,247

Short-term receivables from related undertakings

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Trade receivables, of which:	5,718	27,019	1,319
- from subsidiaries	1,134	288	1,319
- from joint subsidiaries	4,584	26,731	-
Total net short-term receivables from related undertakings	5,718	27,019	1,319
Receivable write-downs	-	-	-
Total gross short-term receivables from related undertakings	5,718	27,019	1,319

Movements in write-downs related to short-time receivables

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
1. Balance at beginning of period	538	488	488
a. increases	-	93	86
- establishment	-	93	86
a. decreases	27	43	25
- used	-	-	-
- released	27	43	25
Balance of write-downs related to short-time receivables at end of period	511	538	549
Gross short-term receivables — currency structure			

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. denominated in Polish currency	41,904	69,749	27,074
b. denominated in foreign currencies	149	87	173
- EUR thousand	22	12	38
- converted to PLN thousand	82	46	152
- USD thousand	24	14	7
- converted to PLN thousand	68	41	21
Total short-term receivables	42,053	69,836	27,247

Gross trade receivables due within the following periods from the balance sheet date

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
up to 1 month	12,645	19,531	10,030
from 1 month up to 3 months	7,113	30,918	3,176
from 3 months up to 6 months	366	2,247	628
from 6 months up to 1 year	6,976	132	1,275
more than 1 year	11,835	14,181	8,372
overdue receivables	2,628	2,559	2,997
Total gross trade receivables	41,563	69,568	26,478
Trade receivable write-downs	511	538	549
Total net trade receivables	41,052	69,030	25,929

Gross overdue trade receivables

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
up to 1 month old	619	1,488	639
from 1 month up to 3 months old	765	332	1,707
from 3 months up to 6 months old	625	132	98
from 6 months up to 1 year old	111	78	97
more than 1 year old	508	529	456
Total gross overdue trade receivables	2,628	2,559	2,997
Overdue trade receivable write-downs	511	538	549
Total net overdue trade receivables	2,117	2,021	2,448

NOTE 8. SHORT-TERM FINANCIAL ASSETS

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. in related undertakings	-	-	200
- loans extended	-	-	200
b. in other undertakings	-	-	18,282
- Treasury bills	-	-	18,282
c. cash and cash equivalents	1,683	4,350	5,232
- cash in hand and in bank accounts	177	160	317
- other cash	1,506	4,190	4,858
- cash equivalents	-	-	57
Total short-term financial assets	1,683	4,350	23,714

Securities, shares and other short-term financial assets — currency structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Denominated in Polish currency	-	-	18,282

Total securities, shares and other short-term financial assets

-	-	18,282
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Short-term loans extended — currency structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Denominated in Polish currency	-	-	200
Total short-term loans extended	-	-	200

Cash and cash equivalents — currency structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. denominated in Polish currency	1,565	4,030	5,027
b. denominated in foreign currencies	119	320	205
- EUR thousand	13	14	21
- converted to PLN thousand	50	53	84
- USD thousand	24	92	38
- converted to PLN thousand	69	267	121
Total cash and cash equivalents	1,683	4,350	5,232

NOTE 9. SHORT-TERM PREPAYMENTS AND ACCRUED INCOME

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Prepayments, of which:			
- prepaid maintenance costs for next years	1,065	960	618
- subcontractor services related to future periods	166	-	-
- prepaid press subscriptions	-	28	-
- prepaid rent	174	49	-
- costs of uncompleted long-term agreements	3,389	-	-
- unfinished development work	6,332	3,403	1,422
- other	290	106	-
Total short-term prepayments and accrued income	11,416	4,546	2,440

NOTE 10. ASSET WRITE-DOWNS

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
1. Receivables			
a. write-down balance at beginning of period	538	488	488
b. write-downs made	-	93	86
c. write-downs reversed	27	43	25
d. write-down balance at end of period	511	538	549
2. Inventories			
a. write-down balance at beginning of period	493	530	530
b. write-downs made	-	116	-
c. write-downs reversed	-	153	-
d. write-down balance at end of period	493	493	530

Receivable write-downs are established based on receivable collectibility analysis concerning individual debtors and for debtors who are more than one year behind in their payments.

The change in receivable write-downs results from the release of a write-down due to the partial repayment of receivables.

Inventory write-downs are established based on inventory aging. Write-downs are reversed when inventories are sold or liquidated.

NOTE 11. SHARE CAPITAL — STRUCTURE

Series/ issue	Share type	Prefer- ence attache d	Restriction s on rights attaching to shares	Number of shares	Value of series/issu e at face value (PLN thousand)	Paid for by	Registered date	Dividend rights (from)
A	ordinary	-	-	1,800,000	13,680	ATM Sp. z o.o. shares	Jul 10, 1997	Jul 10, 1997
B	ordinary	-	-	630,000	4,788	cash	Sep 22, 1998	Jan 1, 1998
C	ordinary	-	-	180,000	1,368	cash	Apr 13, 1999	Jan 1, 1999
D	ordinary	-	-	187,040	1,422	cash	Nov 9, 2000	Jan 1, 2000
E	ordinary	-	-	130,000	988	cash	Sep 23, 2004	Jan 1, 2004
F	ordinary	-	-	300,000	2,280	cash	Sep 23, 2004	Jan 1, 2004
G	ordinary	-	-	68,602	521	cash	Mar 1, 2007	Jan 1, 2006
Total number of shares				3,295,642				
Total share capital					25,047			
Face value per share (PLN)				7.60				

Information concerning movements in share capital

In the third quarter of 2007, the Company plans to increase the share capital by PLN 9,153,120.80 through the issue of 1,204,358 H series shares. The share capital will amount to PLN 34,200,000. Neither the Issuer nor undertakings related to the Issuer hold the Issuer's shares.

Shareholders who hold at least 5% of the Issuer's share capital or at least 5% of the overall number of votes at the General Shareholders' Meeting directly or indirectly through subsidiaries

Tadeusz Czichon 721,000 shares — 21.88% of share capital — Vice-President of ATM S.A. Management Board;

Roman Szwed 452,225 shares — 13.72% of share capital — President of ATM S.A. Management Board;

Polsat open-ended pension fund 276,408 shares — 8.39% of share capital (as at the dividend date, i.e. July 11, 2007);

Piotr Puteczny 205,000 shares — 6.22% of share capital.

As there are no preference shares, the number of shares held corresponds to the number of votes at the General Shareholders' Meeting, and the stake in the share capital corresponds to the share in the overall number of votes.

NOTE 12. SUPPLEMENTARY CAPITAL

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. share premium	11,981	4,409	4,558
b. statutory	8,349	8,175	8,175
c. established pursuant to Articles of Association, above the statutory minimum	8,076	8,250	8,250
d. other	3	3	6
- revaluation reserve related to fixed asset sale or liquidation	3	3	6
Total supplementary capital	28,409	20,837	20,989

NOTE 13. OTHER RESERVE CAPITAL

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
Profit distribution for the previous year	24,607	23,362	23,362
Total other reserve capital	24,607	23,362	23,362

NOTE 14. DEFERRED INCOME TAX PROVISION

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
1. Deferred income tax provision balance at beginning of period, of which:	2,377	1,442	1,442
a. recognized in financial result	1,563	1,442	1,442
b. recognized in equity	814	-	-
2. Increases	709	1,435	938
a. recognized in financial result for the period as a result of positive temporary differences	709	621	172
- in fixed assets as a result of temporary differences arising	-	621	160
- in current assets as a result of temporary differences arising	709	-	12
b. recognized in equity as a result of positive temporary differences	-	814	766
- in fixed assets as a result of temporary differences arising	-	814	766
3. Decreases	9	499	426
a. recognized in financial result for the period as a result of positive temporary differences	3	500	426
- in current assets as a result of:		165	3
- reversal of temporary differences		-	-
- provisions having been used	3	165	3
- in liabilities and provisions for liabilities as a result of:		335	423
- reversal of temporary differences		-	-
- provisions having been used		335	423
b. recognized in equity as a result of positive temporary differences	6	-	-
- in fixed assets as a result of provisions having been used	6	-	-
1. Deferred income tax provision balance at end of period, of which:	3,077	2,377	1,953
a. recognized in financial result	2,269	1,563	1,187
b. recognized in equity	808	814	766

NOTE 15. LONG-TERM LIABILITIES

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
To other undertakings	9,153	6,740	4,528
- finance lease agreements	9,153	6,740	4,528
Total long-term liabilities	9,153	6,740	4,528

Long-term liabilities due within the following periods from the balance sheet date

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
From one up to three years	6,472	4,301	3,058
From three up to five years	2,681	2,439	1,470
More than five years	-	-	-
Total long-term liabilities	9,153	6,740	4,528

Long-term liabilities — currency structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. denominated in Polish currency	3,720	-	-
b. denominated in foreign currencies	5,433	6,740	4,528
- EUR thousand	1,874	1,759	1,120
- converted to PLN thousand	5,433	6,740	4,528
Total long-term liabilities	9,153	6,740	4,528

NOTE 16. SHORT-TERM LIABILITIES

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. due to subsidiaries	829	1	39
- trade liabilities with maturities of:	829	1	39
- up to 12 months	829	1	39
- more than 12 months	-	-	-
b. due to joint subsidiaries	261	46	21
- trade liabilities with maturities of:	261	46	21
- up to 12 months	261	25	-
- more than 12 months	-	21	21
c. due to other undertakings	48,793	42,602	23,138
- loans, of which:	6,754	6,755	-
- long-term during the repayment term	-	-	-
- other financial liabilities, of which	25,047	8,206	6,938
- arising from dividend payouts	25,047	-	6,938
- obligation to exchange stock for shares	-	8,206	-
- trade liabilities with maturities of:	11,666	11,275	11,199
- up to 12 months	11,266	11,275	11,199
- more than 12 months	-	-	-
- related to taxes, subsidies, customs duties, social security and health insurance and other benefits	1,799	13,853	3,112
- payroll	2	1	3
- other:	3,525	2,513	1,886
- finance lease	3,522	2,511	1,848
- deposits	1	2	33

- settlements with employees	2	-	5
d. special funds	131	151	175
- Enterprise Social Benefit Fund	131	151	175
Total short-term liabilities	50,014	42,800	23,373

Short-term liabilities — currency structure

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. denominated in Polish currency	45,178	35,633	19,085
b. denominated in foreign currencies	4,836	7,167	4,288
- EUR thousand	805	674	458
- converted to PLN thousand	3,032	2,581	1,852
- USD thousand	645	1,575	760
- converted to PLN thousand	1,804	4,586	2,419
- GBP thousand	-	-	3
- converted to PLN thousand	-	-	17
Total short-term liabilities	50,014	42,800	23,373

Short-term liabilities arising from loans

Undertaking name	Registered office	Loan amount as per agreement				Outstanding loan amount				Interest terms and conditions	Repayment date	Security	Other
		PLN thousand	in loan currency	unit	currency	PLN thousand	in loan currency	unit	currency				
BRE Bank S.A. Oddział Korporacyjny	Warszawa ul.Królewska 14	6,754				6,754				Interest accrued monthly according to 1M WIBOR plus bank's margin	Dec 31, 2007	Blank promissory note	

NOTE 17. ACCRUALS AND DEFERRED INCOME

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
a. accruals and deferred income	4,044	2,193	996
- long-term	4	4	4
- provisions for future expenses	4	4	4
- short-term	4,040	2,189	992
- trade liabilities, not invoiced	3,872	2,019	852
- provisions for unused leave	167	167	136
- other	1	3	4
b. deferred income	2,161	1,933	535
- long-term	1,463	1,062	13
- prepaid undelivered performances	45	95	13
- subsidies for fixed asset financing	1,418	967	-
- short-term	698	871	522
- prepaid undelivered performances	605	871	522
- subsidies for fixed asset financing	93	-	-
Total other accruals and deferred income	6,205	4,126	1,531

NOTE 18. BOOK VALUE PER SHARE

The book value per share has been determined as the ratio of equity to the number of shares as at the balance sheet date.

The diluted book value is the ratio of equity to the diluted number of shares as at the balance sheet date.

The diluted book value accounts for the issue of 1,204,358 H series shares, which will result in the increase of capital: of the share capital by PLN 9,153,000 and of the share premium by PLN 147,413,000.

NOTE 19. NET REVENUE ON SALES OF PRODUCTS**Net revenue on sales of products by activity type**

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
Telecommunications services	24,407	47,339	23,711
- of which from related undertakings	46	35	-
Other services	12,576	18,460	8,297
- of which from related undertakings	911	565	286
Total net revenue on sales of products	36,983	65,799	32,008
- of which from related undertakings		600	286

Net revenue on sales of products by territory

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
Domestic	36,499	65,394	31,910
- of which from related undertakings	957	600	286
Exports	484	405	98
- of which from related undertakings	-	-	-
Total net revenue on sales of products	36,983	65,799	32,008
- of which from related undertakings	957	600	286

NOTE 20. NET REVENUE ON SALES OF GOODS AND MATERIALS**Net revenue on sales of goods and materials by activity type**

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
Sales of goods	22,628	61,966	25,082
- of which from related undertakings	1,047	14	13
Total net revenue on sales of goods and materials	22,628	61,966	25,082
- of which from related undertakings	1,047	14	13

Net revenue on sales of goods and materials by territory

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
Domestic	22,603	61,842	25,021
- of which from related undertakings	1,047	14	13
Exports	25	124	61
- of which from related undertakings	-	-	-
Total net revenue on sales of goods and materials	22,628	61,966	25,082
- of which from related undertakings	1,047	14	13

NOTE 21. COSTS BY TYPE

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
a. depreciation and amortization	3,662	5,952	2,668
b. materials and energy	1,940	4,430	1,967
c. outsourcing	24,440	38,282	16,967
d. taxes and other charges	648	990	603
e. payroll	11,686	19,946	9,636
f. social insurance contributions and other staff benefits	2,470	3,593	2,048
g. other types of expenses	(3,725)	(468)	857
Total costs by type	41,121	72,725	34,747
Selling costs	(975)	(1,163)	(416)
General and administrative costs	(16,313)	(29,629)	(13,728)
Manufacturing costs of products sold	23,833	41,933	20,603

NOTE 22. OTHER OPERATING REVENUE

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
a. release of provisions arising from:	27	159	25
- receivable valuation	27	43	25
- inventory valuation	-	116	-
b. other, of which:	5,193	26,639	2,065
- damages, fines and penalties received	47	18	18
- deferred costs from previous years	14	187	159
- profit on sale of non-financial fixed assets	-	19,824	11
- leaseback	4,931	6,425	1,872
- subsidies	191	166	-
- other	10	19	5

Total other operating revenue	5,220	26,798	2,090
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NOTE 23. OTHER OPERATING EXPENSES

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
a. establishment of provisions arising from:			
- receivable valuation	-	214	86
- inventory valuation	-	98	86
- provisions for unused leave	-	85	-
	-	31	-
b. other, of which:	4,995	6,624	1,906
- loss on sale of non-financial fixed assets	9	-	-
- donations	42	87	4
- fines, fees and penalties	6	-	-
- fixed asset write-downs	4	26	-
- stocktaking discrepancies, asset liquidation	2	49	26
- leaseback	4,928	6,424	1,872
- other	4	8	4
Total other operating expenses	4,995	6,838	1,992

NOTE 24. FINANCIAL REVENUE

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
a. interest revenue	127	658	451
- other interest from other undertakings	127	658	451
b. foreign exchange gains	297	639	-
- realized	268	652	-
- unrealized	29	(13)	-
c. other	-	35	-
Total financial revenue	424	1,332	451

NOTE 25. FINANCIAL EXPENSES

	Jan 1, 2007 — Jun 30, 2007	Jan 1, 2006 — Dec 31, 2006	Jan 1, 2006 — Jun 30, 2006
a. interest expenses	196	98	48
- to other undertakings, related to loans	195	91	43
- other interest to other undertakings	1	7	5
b. foreign exchange losses	-	-	47
- realized	-	-	47
- unrealized	-	-	-
c. other, of which:	334	420	1,230
- bank fees	59	76	18
- lease expenses	275	344	1,212
Total financial expenses	530	518	1,325

NOTE 26. INCOME TAX**Current income tax**

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
1. Gross profit (loss)	(320)	32,738	3,010
2. Differences between gross profit (loss) and income tax base	320	600	588
- revenue not included in the tax base	(3,416)	(159)	(82)
- taxable revenue not included in books of account	-	2,621	2,594
- expenses not deemed tax-deductible	4,731	2,735	762
- tax-deductible expenses not included in financial result	(2,559)	(4,056)	(2,155)
- losses brought forward	-	(519)	(519)
- tax loss	1,564	-	-
- tax-deductible donations	-	(22)	(13)
3. Income tax base	-	33,338	3,597
4. Income tax at the 19% rate	-	6,305	683
5. Current income tax shown in the tax return for the period, of which	-	6,334	683
- shown in the profit and loss account	-	6,334	683

Deferred income tax

	Jun 30, 2007	Dec 31, 2006	Jun 30, 2006
1. Deferred income tax shown in the profit and loss account	150	113	(76)
Increase (decrease) related to the origination and reversal of temporary differences	150	113	(76)
1. Deferred income tax recognized in equity	(6)	814	-

NOTE 27. DISTRIBUTION OF PROFIT (COVERAGE OF LOSS)**NOTE 28. PROFIT (LOSS) PER ORDINARY SHARE**

Profit (loss) per ordinary share has been determined as the ratio of the net profit for the financial period in question and the weighted average number of shares held by shareholders during this period.

Diluted profit per share has been determined as the ratio of the net profit and the weighted average diluted number of shares.

The diluted number of shares includes 1,204,358 H series shares, which will be issued in the third quarter of 2007 with dividend rights from January 1, 2006.

B. ADDITIONAL NOTES

Additional note 1.

Information on financial instruments

1.1. Financial instruments broken down into groups:

		PLN thousand					
		Financial assets held for trading	Financial liabilities held for trading	Loans granted and own receivables	Financial assets held to maturity	Financial assets available for sale	Other financial liabilities
1.	Balance as at January 1, 2007	0	0	0	0	0	16,005
2.	Increases	7,004	0	0	0	0	9,923
	- acquisition, drawing down, accrual of interest	7,004	0	0	0	0	9,923
	- balance sheet valuation of other foreign currency liabilities (lease liabilities)	0	0	0	0	0	0
	- revaluation	0	0	0	0	0	0
3.	Decreases	7,004	0	0	0	0	6,500
	- sale, repayment	7,004	0	0	0	0	6,443
	- balance sheet valuation of loans drawn down in foreign currencies	0	0	0	0	0	57
	- revaluation	0	0	0	0	0	0
4.	Balance as at June 30, 2007	0	0	0	0	0	19,428

Under the financial assets held for trading item, the Company recognizes the value of short-term corporate debt securities at acquisition price. This value corresponds to their fair value.

Other financial liabilities include loans drawn down by the Company and liabilities arising from finance lease agreements.

Loans have been valued at the adjusted acquisition price (amortized cost). This value corresponds to their fair value.

Due to the market interest rates on lease agreements, their balance sheet value does not differ significantly from their fair value.

1.2. Other financial liabilities

In 2007, the Company used the following bank loans:

i. PLN investment loan from BRE Bank S.A.

a. Loan terms:

- Loan amount	PLN 6,754,000
- Balance as at June 30, 2007	PLN 6,754,000
- Loan interest: Interest accrued monthly according to 1M WIBOR plus bank's margin	
- Interest accrued monthly:	
- interest accrued from January 1, 2007 to June 30, 2007	PLN 225,000
- interest paid from January 1, 2007 to June 30, 2007	PLN 225,000
- Accrued interest not paid in 2006 due within:	
- up to 3 months	0
- from 3 up to 12 months	0
- more than 12 months	0
b. Valuation as at June 30, 2007	
- loan portion due within 12 months	PLN 6,754,000
- value after valuation	PLN 6,754,000
- long-term loan portion	0
The loan was repaid in full in August 2007.	0

In 2007, the Company used the following finance lease agreements:

I. Agreement No. 01097/06/2003/O with the Fortis Lease sp. z o.o. company

1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 95,000
3. Lease term	72 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	24%
5. Security: blank promissory notes	
6. Interest paid in 2007	PLN 2,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 11,000
- long-term principal payments	PLN 14,000
- interest payments due within:	
- up to 3 months	PLN 1,000
- from 3 up to 12 months	PLN 2,000
- more than 12 months	PLN 2,000

II. Agreements Nos. 03125,3206,3216/08/2004/O with the Fortis Lease sp. z o.o. company

1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 1,040,000
3. Lease term	60 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	15%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 3,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 160,000
- long-term principal payments	PLN 324,000
- interest payments due within:	
- up to 3 months	PLN 5,000
- from 3 up to 12 months	PLN 13,000
- more than 12 months	PLN 14,000

III. Agreements Nos. 03449-3452;3632,4886,5464-5466;6519,6637,6638,6770-6772,7212,7523-

7525,7609,8580,8939,8954,8955,9463,10965,11374,12057,12159,12673,12757 with the Fortis Lease sp. z o.o. company

1. Subject of the agreement: means of transportation	
2. Net value of leased asset	PLN 1,996,000
3. Lease term	36 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	1%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 20,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 542,000
- long-term principal payments	PLN 576,000
- interest payments due within:	
- up to 3 months	PLN 14,000
- from 3 up to 12 months	PLN 31,000
- more than 12 months	PLN 25,000
IV. Agreement No. 03604/12/2004/O with the Fortis Lease sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 93,000
3. Lease term	36 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	20%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 2,000
7. Outstanding amount as at December 31, 2006	
- principal payments due within 12 months	PLN 11,000
- long-term principal payments	0
- interest payments due within:	
- up to 3 months	PLN 1,000
- from 3 up to 12 months	0
- more than 12 months	0
V. Agreements Nos. 03633,3709,3710,3735 with the Fortis Lease sp. z o.o. company	
1. Subject of the agreement: computer hardware	
2. Net value of leased asset	PLN 538,000
3. Lease term	36 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	0.1%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 7,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 102,000
- long-term principal payments	0
- interest payments due within:	
- up to 3 months	PLN 1,000
- from 3 up to 12 months	PLN 1,000
- more than 12 months	0
VI. Agreement No. 05269/07/2005/O with the Fortis Lease sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 147,000
3. Lease term	36 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	1%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 3,000

7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 45,000
- long-term principal payments	PLN 12,000
- interest payments due within:	
- up to 3 months	PLN 1,000
- from 3 up to 12 months	PLN 1,000
- more than 12 months	0
VII. Agreement No. 05271/07/2005/O with the Fortis Lease sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 79,000
3. Lease term	60 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	1%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 1,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 14,000
- long-term principal payments	PLN 33,000
- interest payments due within:	
- up to 3 months	PLN 1,000
- from 3 up to 12 months	PLN 1,000
- more than 12 months	PLN 1,000
VIII. Agreements Nos. 05882,5977,6214,6501//2005/O with the Fortis Lease sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 1,118,000
3. Lease term	36 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	1%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 20,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 337,000
- long-term principal payments	PLN 216,000
- interest payments due within:	
- up to 3 months	PLN 6,000
- from 3 up to 12 months	PLN 12,000
- more than 12 months	PLN 4,000
IX. Agreements Nos. K 061563, K 061564 with the BEL Leasing sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 234,000
3. Lease term	48 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	19%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 5,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 42,000
- long-term principal payments	PLN 40,000
- interest payments due within:	
- up to 3 months	PLN 2,000
- from 3 up to 12 months	PLN 4,000
- more than 12 months	PLN 4,000
V. Agreement No. F 064169 with the BEL Leasing sp. z o.o. company	

1. Subject of the agreement: means of transportation	
2. Net value of leased asset	PLN 48,000
3. Lease term	36 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	PLN 2,000
- final payment	
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 2,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 14,000
- long-term principal payments	0
- interest payments due within:	
- up to 3 months	PLN 1,000
- from 3 up to 12 months	PLN 3,000
- more than 12 months	0
XI. Agreement No. K 068967 with the BEL Leasing sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 415,000
3. Lease term	48 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	24.1%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 11,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 65,000
- long-term principal payments	PLN 178,000
- interest payments due within:	
- up to 3 months	PLN 5,000
- from 3 up to 12 months	PLN 13,000
- more than 12 months	PLN 27,000
XII. Agreement No. K 076374 with the BEL Leasing sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 1,100,000
3. Lease term	48 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	25%
5. Security: blank promissory note	
6. Interest paid in 2007	PLN 22,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 167,000
- long-term principal payments	PLN 508,000
- interest payments due within:	
- up to 3 months	PLN 13,000
- from 3 up to 12 months	PLN 35,000
- more than 12 months	PLN 81,000
XIII. Agreements Nos.	
ATM_1(1)/WA/28558,31814,33582,34737,35145,36212,37026,38502,39107 with the BRE Leasing sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 1,256,000
3. Lease term	60 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	14.3%

5. Security: blank promissory note and receivable assignment agreement	
6. Interest paid in 2007	PLN 14,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 180,000
- long-term principal payments	PLN 604,000
- interest payments due within:	
– up to 3 months	PLN 12,000
– from 3 up to 12 months	PLN 33,000
– more than 12 months	PLN 77,000
XIV. Agreements Nos. ATM_1(1)/WA/28578, 31778,33581,34736,35148,36213,37027,38501,39106 with the BRE Leasing sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 5,128,000
3. Lease term	60 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	1%
5. Security: blank promissory note and receivable assignment agreement	
6. Interest paid in 2007	PLN 103,000
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 866,000
- long-term principal payments	PLN 2,979,000
- interest payments due within:	
– up to 3 months	PLN 47,000
– from 3 up to 12 months	PLN 136,000
– more than 12 months	PLN 302,000
XV. Agreements Nos. 708793,709397 with the ING Lease sp. z o.o. company	
1. Subject of the agreement: plant and machinery	
2. Net value of leased asset	PLN 4,991,000
3. Lease term	48 months
4. Payments	
- initial payment	10%
- payments: monthly principal and interest payments with fixed total	
- final payment	1%
5. Security: blank promissory note and receivable assignment agreement	
6. Interest paid in 2007	0
7. Outstanding amount as at June 30, 2007	
- principal payments due within 12 months	PLN 1,028,000
- long-term principal payments	PLN 3,365,000
- interest payments due within:	
– up to 3 months	PLN 69,000
– from 3 up to 12 months	PLN 175,000
– more than 12 months	PLN 377,000
XVI. Agreement No. 6347/12//2005/O — Notarial Deed Repertory A No. 4154/2005 and 541/2006 with the Fortis Lease sp. z o.o. company	
1. Subject of the agreement: buildings and land at ul. Grochowska 21a	
2. Net value of leased asset	PLN 40,500,000
3. Lease term	180 months
4. Payments	
- initial payment	0
- payments: monthly principal and interest payments, interest payment depends on 1M Euribor	
- final payment	31%
5. Security: blank promissory note and receivable assignment agreement	
6. Payments and interest paid in 2007	PLN 1,748,000
7. Outstanding amount as at December 31, 2006	
- payments due within 12 months	PLN 3,037,000

– payments due within more than 12 months

PLN 38,222,000

Additional note 2.

Information on off-balance sheet items, in particular contingent liabilities, including the guarantees and endorsements extended by the Issuer (also endorsements on bills), with guarantees and endorsements extended to related undertakings shown separately

OFF-BALANCE SHEET ITEMS	PLN thousand	
	June 30, 2007	June 30, 2006
Contingent liabilities to other undertakings, of which:	5,179	4,189
- guarantees and endorsements extended	5,179	4,189
- mortgage liabilities	0	0
- pledges on fixed assets	0	0
Total contingent liabilities	5,179	4,189

As at June 30, 2007, the Company did not extend any guarantees or endorsements (including endorsements on bills) to related undertakings.

Additional note 3.

Liabilities to the central budget or regional government authorities arising from the ownership of buildings and structures.

During the reporting period, i.e. in the first half of 2007, no liabilities were recorded to the central budget or local or regional government authorities arising from the ownership of buildings and structures.

Additional note 4.

Information about the revenues, costs and results of operations discontinued during the period in question or planned to be discontinued in the next period.

From January 1 to June 30, 2007, no operations were discontinued and there are no plans to discontinue any operations in the next period.

Additional note 5.

Information about the cost of manufacturing fixed assets under construction and fixed assets for own use

From January 1 to June 30, 2007, the Company incurred expenses related to development work — the development of software for its own use. The table below presents the expenses incurred, broken down into individual projects, compared with the first half of 2006.

	PLN thousand	
	June 30, 2007	June 30, 2006
Technology platform		
POS TV platform	1	311
PC TV platform	461	450

BCP platform	8	80
Remote archive	501	
Atmosfera	510	
VoIP	55	
Mobile TV	1,327	
mPay platform	577	

Additional note 6.

Capital expenditure incurred and planned within 12 months from the balance sheet date

In 2007 and in the first half of 2008, the Company plans to allocate PLN 55.5 million to development-related investments,

of which:

- PLN 33.0 million to the upgrade of the ATAMAN network;
- PLN 22.5 million to the purchase of other fixed assets.

In 2007, the Company's capital expenditure amounted to PLN 15.4 million.

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

Additional note 7.1.

Information on Issuer's transactions with related undertakings

From January 1 to June 30, 2007, the Company conducted no transactions with related undertakings related to the transfer of rights and obligations.

Additional note 7.2.

Figures concerning related undertakings:

From January 1 to June 30, 2007, transactions with related companies were as follows:

Item	PLN thousand			
	Receivables	Liabilities	Purchases	Revenues
ATM Services Sp. z o.o.	0	60	79	25
ATM Mobile Sp. z o.o.	0	0	0	4
Iloggo Sp. z o.o.	3	0	52	20
Mpay SA	972	0	0	768
Rec-order Sp. z o.o.	7	0	0	5
Cineman sp. z o.o.	0	0	0	31
KLK sp. z o.o.	0	623	1,200	1,166

ATM PP Sp. z o.o.	4,583	237	1,662	9
A. Chalimoniuk i Wspólnicy, ATM S.J.	0	24	360	0
Total	5,565	944	3,353	2,003

The ATM PP sp. z o.o. company and the A. Chalimoniuk i Wspólnicy ATM S.J. registered partnership are linked to ATM S.A. through their directors and shareholders, while other companies are capital-linked subsidiaries.

Additional note 8.

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

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

Additional note 9.

Average employment information

Number of employees	June 30, 2007	June 30, 2006
Manual workers	10	10
Non-manual workers	241	216
Total employment	251	226

Additional note 10.

Information about the total amount of salaries and awards (monetary and non-monetary) paid or due to Management Board and Supervisory Board members.

The total amount of salaries paid or due was:

	PLN thousand	
	June 30, 2007	June 30, 2006
For the Management Board	450	450
In total for the Supervisory Board, of which:	123	108
- for duties discharged as Supervisory Board members	123	108

In 2007, no awards were granted or paid to Management Board and Supervisory Board members. Management Board members took up 2,690 Company shares allocated by the Supervisory Board under the Incentives Scheme.

Additional note 11.

Information about outstanding advances, loans, guarantees, endorsements or other agreements stipulating obligations to the Issuer, its subsidiaries, joint subsidiaries and associates extended by the Issuer to Management and Supervisory Board members.

In the first half of 2007, the Company extended a loan amounting to PLN 600,000 to the Sputnik Software sp. z o.o. company.

As at June 30, 2007, there were no other outstanding advances, loans, guarantees, endorsements or other agreements stipulating obligations to the Company, its subsidiaries, joint subsidiaries and associates extended to Management and Supervisory Board members.

Additional note 12.

Information about significant events pertaining to previous years included in financial statements for the current period.

Statements for the current period do not include any significant events pertaining to previous years.

Additional note 13.

Information about significant events that occurred after the balance sheet date and have not been included in financial statements.

On August 3, 2007, the Management Board of ATM S.A. allocated the H series shares issued pursuant to the resolution of April 20, 2007 concerning the increase in share capital as part of the Company authorized capital through the issue of 1,204,358 (one million two hundred and four thousand three hundred fifty-eight) H series ordinary bearer shares with a face value of PLN 7.60 (seven zloty 60/100) each; existing shareholders retained their subscription rights. The issue was conducted and shares were acquired at the price of PLN 130 per share.

On August 21, 2007, pursuant to the investment agreement of May 11, 2007, ATM S.A. acquired 2,750,000 shares from the new issue by the Linx Telecommunications B.V. Company with registered office in Amsterdam for EUR 16.5 million. In this manner, ATM S.A. has acquired a 22% stake in the share capital of the company.

On August 13, 2007, the Centrum Badawczo-Rozwojowe ATM-Lab sp. z o.o. company with registered office in Warsaw was established. The share capital of the newly established company amounts to PLN 50,050. ATM S.A. took up 1,000 shares with a face value of PLN 50 each, for the total amount of PLN 50,000, which constitutes 99.9% of the company's share capital. One share which constitutes 0.1% of the share capital of the newly-incorporated company was taken up by ATM-Mobile sp. z o.o.

Additional note 16.

List and explanation of differences between comparable data and the financial statements previously drawn up and published.

The comparable data included in 2007 statements do not differ from the data included in published 2006 statements.