ATM S.A. CAPITAL GROUP

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

(in PLN thousand)

TABLE OF CONTENTS

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

Dear

Members of the Supervisory Board, Shareholders and Investors

,

On behalf of the Management Board of ATM S.A., I hereby present the consolidated financial statements of the ATM S.A. Capital Group with the report on the Group's operations for 2013. This document includes the financial results, the statutory auditor's opinion and the most important information concerning the company's operations and events that took place in the previous year.

Year 2013 was the first full accounting period in which the Issuer provided only data center services and services based on its own fiber optic networks — following the division of the "former" ATM in mid-2012 and the separation of the system integration activity to be performed by an independent company. In the past year, the sale of all shares in mPay S.A. and, consequently, exiting the investment commenced in 2006, as well as ATM's final withdrawal from the mobile payment segment, was undoubtedly an important event which exemplified the trend of organizing our operations. With this step, we began the new year as a company engaged in transparent and homogeneous operations in the area of ICT, which no longer has any subsidiaries. Thus, since the beginning of 2014, ATM no longer forms a capital group.

In 2013, once again, we have generated record financial results. All items in the income statement have been improved with respect to the very good year of 2012. We are particularly satisfied with the increase in net profit from continued activity, which climbed to more than 40% y/y. Such good results were possible not only thanks to an increase in sales (particularly of data center services), but also thanks to maintaining a high level of profitability. The consistently maintained discipline in the area of fixed costs is also noteworthy.

In the past year, as in the preceding period, data center services (colocation and hosting) were the fastest growing element of our business. Revenue from these operations increased by over 17% y/y, reaching a record amount of PLN 58 million, of which 97% was attributable to recurring (subscription) fees. The share of data center services in total margin of ATM for the entire 2013 amounted to more than 60%, which clearly illustrates the growing significance of this category of services in the Company's operations. It is worth mentioning that this trend corresponds to the expectations of and the strategy adopted by the Management Board of ATM. In the future, we expect it to continue and we see ATM as further strengthening its position of a leader in the Polish data center market. This belief is reinforced by the number of currently carried out talks, at advanced stages, and bidding procedures relating to ATM's colocation offer, which significantly exceed the levels recorded so far in the Issuer's history.

In order to ensure an adequate supply of colocation space in the face of the rapidly growing demand, we are conducting an ambitious investment process: in mid-2014 we will open our new data center — the F4 building in the ATMAN Data Center campus in Warsaw. Furthermore, we are consistently implementing new investments as a part of the ATM Innovation Center project, i.e. the F5 data center building (expected to be in operation in 2015) as well as an office building.

I am deeply convinced that the development directions set by the Management Board of ATM S.A. are legitimate, and that consistent and effective implementation should result in generating an increase in Company value — which is crucial from the perspective of the Shareholders.

Sincerely yours,

Maciej Krzyżanowski
President of the Management Board

SELECTED FINANCIAL DATA

	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	in PLN thousand		in EUR thousand	
Total sales revenue (excluding the OST112 contract)	131,038	124,366	31,118	29,798
Sales margin	76,989	74,569	18,283	17,867
EBITDA	46,264	44,389	10,986	10,636
Operating profit	26,323	24,952	6,251	5,978
Profit before tax	17,948	15,125	4,262	3,624
Net profit from continued activities	17,482	13,683	4,151	3,279
Net cash flows from operating activities	39,605	6,167	9,405	1,478
Net cash flows from investment activities	(42,084)	(26,859)	(9,994)	(6,435)
Net cash flows from financial activities	(970)	(31,296)	(230)	(7,498)
Increase (decrease) in cash flows	(3,449)	(51,988)	(819)	(12,455)
	31/12/2013	**31/12/2012**	**31/12/2013**	**31/12/2012**
Fixed assets	332,564	321,326	80,190	78,598
Current assets	38,770	35,253	9,349	8,624
Total assets	371,334	359,168	89,539	87,855
Long-term liabilities	67,795	77,653	16,347	18,994
Short-term liabilities	67,435	47,501	16,260	11,619
Equity	236,104	231,425	56,931	56,608
Share capital*	34,723	34,723	8,373	8,493
Parent undertaking shareholders' equity	236,104	229,174	56,931	56,057
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	6.50	6.31	1.57	1.54

** the share capital was restated in accordance with IAS 29*

The above financial data as at 31 December 2013 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated on the basis of the average exchange rate of PLN/EUR 4.1472, published by the National Bank of Poland (NBP) on 31 December 2013;
- particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month of the fiscal year (between 1 January and 31 December 2013), amounting to PLN/EUR 4.2110.

The above financial data as at 31 December 2012 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated on the basis of the average exchange rate of PLN/EUR 4.0882, published by the National Bank of Poland (NBP) on 31 December 2012;
- particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month of the fiscal year (between 1 January and 31 December 2012), amounting to PLN/EUR 4.1736.

CONSOLIDATED FINANCIAL STATEMENTS OF THE ATM S.A. CAPITAL GROUP AS AT 31 DECEMBER 2013

KEY INFORMATION REGARDING THE CONSOLIDATED ANNUAL REPORT

This consolidated annual report covers information prepared pursuant to § 92 item 1 of the Regulation of the Minister of Finance of 19 October 2005, and includes consolidated financial statements of the ATM S.A. Capital Group made in accordance with International Financial Reporting Standards, as approved by the European Union, for the period from 1 January to 31 December 2013.

Submission date: 20 March 2014

Information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
Sector according to the Warsaw Stock Exchange classification: Information technology
Postal code: 04-186
City: Warsaw
Street: Grochowska
Number: 21a
Telephone: (22) 51 56 660
Fax: (22) 51 56 600
e-mail: inwestor@atm.com.pl
www: www.atm.com.pl
NIP (Tax ID No): 113-00-59-989
REGON (Statistical ID No): 012677986
Entity authorized to perform the audit: PKF Audyt Sp. z o.o.

(all amounts are presented in PLN thousand, unless specified otherwise)

CONSOLIDATED STATEMENT OF INCOME

		For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Continued activity			
Sales revenue*	3	170,332	180,395
of which: revenue excluding the “OST 112” contract	4	131,038	124,366
Cost of sales (variable)		93,343	105,826
Sales margin**		**76,989**	**74,569**
Cost of sales (fixed)	4	22,972	21,388
Gross profit (loss) on sales		**54,017**	**53,181**
Other operating revenue	5	503	858
Selling costs			
Administrative expenses	4	26,408	27,309
Other operating expenses	6	1,789	1,778
Restructuring cost			
Operating profit (loss)		**26,323**	**24,952**
Share in the financial result of undertakings valued using the equity method		(2,563)	(218)
Financial revenue	7	599	2,223
Financial expenses	8	6,411	11,832
Profit (loss) before taxation		**17,948**	**15,125**
Income tax	9	467	1,441
Net profit (loss) on continued activity		**17,482**	**13,683**
Discontinued activity			
Net profit (loss) on discontinued activity		(5,842)	(2,352)
Net profit (loss)		**11,640**	**11,332**
Net profit (loss) for the Group’s shareholders		11,640	11,796
Net profit (loss) for minority shareholders		-	(463)
Profit (loss) per share			
From continued activity:			
Ordinary		0.48	0.38
Diluted		0.48	0.38
From continued and discontinued activity:			
Ordinary		0.32	0.31
Diluted		0.32	0.31
EBITDA		46,264	44,389

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTES:

*) Sales revenue includes revenue from sales of telecommunications services provided as part of the implementation of the OST 112 contract. Since the telecommunications part of the contract is implemented by subcontractors, this part of the revenue has a negligible effect on the results of the Company. This type of revenue amounted to: PLN 39,294 thousand in the period 01.01 – 31.12.2013 and PLN 56,029 thousand in the period 01.01 – 31.12.2012.

**) The Issuer additionally discloses, in relation to the IFRS requirements, the “Sales margin” category which represents the difference of sales revenue and variable costs of sales, i.e. those that are directly related to the value of the revenue (cost of goods sold, costs of subcontractors in the implementation of services, materials and energy consumption). This category — according to the Issuer's Management Board — is important for the analysis of the Company's finances as it is correlated with the value of sales and determines a break-even point for fixed costs, i.e. a point at which Company’s activities are operationally profitable.

CONSOLIDATED STATEMENT OF TOTAL INCOME

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Net profit (loss)	**11,640**	**11,332**
Other total income that will not be reclassified to profit or loss	**(1,562)**	**1,262**
Results of revaluation of fixed assets	-	-
Actuarial gains or losses	-	-
Share in other total income of associated entities	(1,562)	1,262
Income tax related to items that will not be reclassified	-	-
Other total income that may be reclassified to profit or loss	**-**	**-**
Revaluation of tangible fixed assets	**-**	**-**
Exchange differences on translation of foreign operations	-	-
Results of valuation of financial assets available for sale	-	-
Hedge accounting	-	-
Income tax related to other total income items	-	-
Total revenue	**10,078**	**12,594**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

(all amounts are presented in PLN thousand, unless specified otherwise)

CONSOLIDATED FINANCIAL SITUATION STATEMENT – ASSETS

	NOTE	End of the period 31/12/2013	End of the period 31/12/2012
Fixed assets			
Goodwill	11	-	128
Intangible assets	12	5,101	44,972
Tangible fixed assets	13	263,014	207,697
Investments in associates consolidated using the equity method	14	64,241	68,367
Other financial assets	14	-	-
Deferred income tax assets	9	-	-
Other fixed assets	15	208	162
		332,564	**321,326**
Current assets			
Inventories	16	1,511	1,340
Financial assets held for trading	14	453	970
Trade and other receivables	17	29,293	24,297
Income tax receivables		2,060	57
Other current assets	18	4,325	4,011
Other financial receivables	18	-	
Cash and cash equivalents	19	1,129	4,578
		38,770	**35,253**
Fixed assets classified as held for sale		-	2,589
Total assets		**371,334**	**359,168**

(all amounts are presented in PLN thousand, unless specified otherwise)

CONSOLIDATED FINANCIAL SITUATION STATEMENT – LIABILITIES

	NOTE	End of the period 31/12/2013	End of the period 31/12/2012
Equity			
Share capital	20	34,723	34,723
Supplementary capital from share premium		123,735	123,735
Revaluation reserve		-	-
Treasury shares		-	(1)
Reserve capital		55,994	52,505
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	20	21,652	18,212
Total Group shareholders' equity		**236,104**	**229,174**
Non-controlling shares	21	-	2,251
Total shareholders' equity		**236,104**	**231,425**
Long-term liabilities			
Long-term loans	22	32,099	31,376
Provisions for deferred tax	9	1,529	34
Provisions for liabilities	23	-	-
Long-term trade and other liabilities	24	19,443	27,036
Other financial liabilities	26	14,723	19,208
		67,795	**77,654**
Short-term liabilities			
Bank and other loans and credits	22	29,544	13,852
Provisions for liabilities	23	-	-
Income tax liabilities		-	2,037
Trade and other liabilities	25	29,763	20,115
Other financial liabilities	26	8,127	11,498
		67,435	**47,502**
Liabilities related directly to fixed assets held for sale		-	2,587
Total liabilities		**371,334**	**359,168**

Data as at 31 December 2012 were corrected in accordance with the description included in Note 34 "Differences in comparison to previously published financial statements".

(all amounts are presented in PLN thousand, unless specified otherwise)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Revaluation reserve	Retained earnings	Total Group shareholders' equity	Non-controlling shares	Total equity
As at 1 January 2013	**34,723**	**123,735**	**(1)**	**52,505**	**-**	**18,212**	**229,174**	**2,251**	**231,425**
Increases:									
Current period results	-	-	-	-	-	11,640	11,640	-	11,640
Share in other total income of associated entities						(1,562)	(1,562)	-	(1,562)
Valuation of management options	-	-	-	-	-	134	134	-	134
Changes to the Group's structure	-	-	-	-	-	381	381	-	381
Profit distribution				3,489			3,489	-	3,489
Decreases:									
Share subscription under the stock option plan		-	(1)	-	-	-	(1)	-	(1)
Changes to the Group's structure	-	-	-	-	-	29	29	2,251	2,280
Profit distribution						3,489	3,489		3,489
Dividend payout						3,634	3,634		3,634
As at 31 December 2013	**34,723**	**123,735**	**-**	**55,994**	**-**	**21,652**	**236,104**	**-**	**236,104**

(all amounts are presented in PLN thousand, unless specified otherwise)

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Revaluation reserve	Retained earnings	Total Group shareholders' equity	Non-controlling shares	Total equity
As at 1 January 2012	**34,723**	**159,030**	**-**	**40,429**	**-**	**41,589**	**275,771**	**7,319**	**283,090**
Increases:									
Current period results	-	-	-	-	-	13,055	13,055	(463)	12,592
Share subscription under the stock option plan	-	-	-	-	-	445	445	-	445
Profit distribution	-	-	-	16,381	-	-	16,381	-	16,381
Decreases:									
Purchase of treasury shares under the stock option plan	-	-	1	-	-	-	1	-	1
Current period results	-	-	-	-	-	-	-	-	-
Profit distribution to be allocated to supplementary capital	-	-	-	-	-	16,381	16,381	-	16,381
Changes to the Capital Group's structure (division)	-	35,295	-	4,305	-	20,497	60,097	4,605	64,702
									-
As at 31 December 2012	**34,723**	**123,735**	**(1)**	**52,505**	**-**	**18,212**	**229,174**	**2,251**	**231,425**

Data as at 31 December 2012 were corrected in accordance with the description included in Note 34 “Differences in comparison to previously published financial statements”.

(all amounts are presented in PLN thousand, unless specified otherwise)

CONSOLIDATED CASH FLOW STATEMENT

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Operating activities		
Profit (loss) before taxation	**17,948**	**15,125**
Adjustments by items:	21,656	(8,958)
Share in net loss (profit) of undertakings valued using the equity method	2,563	218
Amortisation and depreciation	19,940	19,438
Exchange rate differences	207	1,419
Interest received	(5)	-
Interest paid	5,757	7,293
Dividends received	0	-
(Profit) loss on investing activities	0	(5,552)
Change in inventories	69	343
Change in receivables	(5,200)	26,693
Change in liabilities and provisions	4,579	(54,360)
Change in other assets	(719)	(593)
Income tax paid	(4,040)	(2,152)
Other	(1,497)	(1,704)
	39,605	**6,167**
Investing activities		
Expenses on tangible fixed assets purchases	(50,904)	(50,016)
Expenses on financial assets purchases	(1,359)	-
Revenue from sale of tangible fixed assets	9,253	23,135
Repayment of long-term loans granted	922	-
Loans granted	(620)	-
Revenue from sale of financial assets	618	-
Interest received	-	1
Dividends received	-	-
Exchange rate differences	6	21
Other	-	-
	(42,084)	**(26,859)**
Financing activities		
Net proceeds from issue of shares and other capital contributions	-	-
Subsidies received	1,447	(2,239)
Proceeds from loans	16,362	5,076
Repayment of loans	-	-
Purchase of treasury shares	1	1
Payment of liabilities arising from finance leases	(8,443)	(7,321)
Dividends paid	(3,634)	-
Interest received	5	-
Interest paid	(5,757)	(7,291)
Other profit-sharing	-	-
Exchange rate differences	29	(104)
Other (division adjustment)	(979)	(19,418)
	(970)	**(31,296)**
Change in cash	**(3,449)**	**(51,988)**
Opening balance of cash	4,578	56,566
Closing balance of cash	**1,129**	**4,578**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

ADDITIONAL EXPLANATORY NOTES

NOTE 1.
BASIC INFORMATION

1. Information concerning the parent undertaking

ATM S.A. is a joint-stock company. The Company launched its operation in 1994 as ATM Sp. z o.o. (limited liability company). On 10 July 1997, ATM Sp. z o.o. was transformed into a joint-stock company pursuant to a notarial deed drawn up at the Notarial Office in Raszyn on 16 May 1997 (Repertory No 3243/97).

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

ATM S.A. is listed on the Warsaw Stock Exchange. According to the Warsaw Stock Exchange classification, the core business of the Company concerns the IT sector. In the period covered by these financial statements, ATM S.A. provided data center and data transmission services for corporate clients.

As at 31 December 2013, the Management Board consisted of:

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

As at 31 December 2013, the Supervisory Board consisted of:

- Sławomir Kamiński – Chairman of the Supervisory Board,
- Tomasz Tuchołka – Vice-Chairman of the Supervisory Board,
- Grzegorz Domagała – Member of the Supervisory Board,
- Mirosław Panek – Member of the Supervisory Board,
- Marcin Wysocki — Member of the Supervisory Board.

The changes in the Management Board and the Supervisory Board are described in item 16, "Other information," in the Management Board's report on the Issuer's Capital Group activities.

2. Information concerning undertakings included in the Capital Group

In 2013, the following changes occurred with respect to the ATM S.A. Capital Group:

- On 3 September 2013, bankruptcy proceedings regarding mPay International Sp. z o.o. in which the Issuer held a 60% stake came to an end — (in the course of the proceedings the entire bankruptcy estate was identified and liquidated). The company did not conduct any operating activities, and its shares in mPay S.A. were acquired by the Issuer. Since 2012, the company has been recognised in the financial statements of ATM as discontinued activities.
- On 6 November 2013, agreements concerning the sale of shares in mPay S.A. owned by the Issuer were signed with industry investors. Thus, the process of searching for a buyer of mPay S.A. shares was completed and the Issuer definitely withdrew from operations related to mobile payments, which had been conducted in the ATM Capital Group since 2006 by the Issuer's subsidiaries: mPay International Sp. z o.o. and mPay S.A. The results of mPay S.A. are presented — starting with a report for the first half of 2013 — as discontinued activities, due to the Issuer's Management Board's decision to sell the shares held by ATM in mPay S.A.

As a consequence of the changes described above, as at the date of this report, ATM S.A. does not have any subsidiaries. Thus, there are no more formal reasons for the existence of a capital group. Starting with an interim report for the first quarter of 2014, the Issuer will no longer prepare consolidated financial statements.

Companies consolidated using the equity method:

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

3. Grounds for preparing the financial statements

The present financial statements have been drawn up in accordance with the requirements of International Financial Reporting Standards ("IFRS"), as approved by the European Union, and – in matters not regulated in the said standards – in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No 76, item 694, as amended) and the secondary legislation issued pursuant to this Act, and in accordance with the requirements stipulated in the Regulation of the Minister of Finance of 19 February 2009, taking into account the changes resulting from the Regulation of the Minister of Finance of 3 April 2012.

NOTE 2.
MATERIAL ACCOUNTING POLICIES

The fiscal year shall be the calendar year.

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

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

1. Declaration of compliance

The consolidated financial statements of the ATM S.A. Group for the period ending on 31 December 2013 and comparable data for the fiscal year ending on 31 December 2012 have been drawn up in accordance with International Financial Reporting Standards, as approved by the European Union.

2. Adoption of International Financial Reporting Standards

Standards and interpretations first applied in 2013

The following amendments to the existing standards published by the International Accounting Standards Board and approved by the EU came into force in 2013:

a) Amendments to IFRS 1 First-time Adoption of IFRS – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

b) Amendments to IFRS 1 First-time Adoption of IFRS – *Government Loans*

c) Amendments to IFRS 7 Financial Instruments: Disclosures – *Offsetting Financial Assets and Financial Liabilities*

d) IFRS 13 Fair Value Measurement

e) Amendments to IAS 12 Income Taxes – *Deferred Tax: Recovery of Underlying Assets*

f) Amendment to IAS 19 Employee Benefits

g) Improvements to IFRS (2009-2011) – changes introduced as part of the procedure or entering annual amendments to IFRS (applies to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34)

h) IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

With the exception of IFRS 13 and IAS 1, the adoption of changes to standards has not resulted in changes either in the accounting policies of the Group or in the representation of data in financial statements.

The Group has additionally disclosed "Financial assets at fair value", in accordance with the requirements of IFRS 13.

The Group changed the manner of presentation of the "Statement of total income" to a two-part version, in accordance with IAS 1, presenting the "Statement of income" and "Statement of total income" separately. Data for comparable periods were restated.

Early adoption of standards and interpretations

When preparing these consolidated financial statements, the Management Board of the Group decided that none of the Standards will be applied earlier.

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

a) IFRS 10 Consolidated Financial Statements

b) IFRS 11 Joint Arrangements

c) IFRS 12 Disclosure of Interests in Other Entities

d) Amended IAS 27 Separate Financial Statements

e) Amended IAS 28 Investments in Associates and Joint Ventures

f) Amendment to IAS 32 Financial Instruments: Presentation – *Offsetting Financial Assets and Financial Liabilities*

g) Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 Separate Financial Statements – Investment Entities

h) Amendment to IAS 36 Impairment of Assets – *Recoverable Amount Disclosures for Non-Financial Assets*

i) Amendment to IAS 39 Financial Instruments: Recognition and Measurement – *Novation of Derivatives and Continuation of Hedge Accounting*

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

a) IFRS 9 Financial Instruments (of 12 November 2009 and subsequent amendments to IFRS 9 and IFRS 7 of 16 December 2011)

The new standard replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement – on the classification and valuation of financial assets. The standard eliminates the existing IAS 39 held-to-maturity and available-for-sale categories, as well as loans and receivables. Upon initial recognition, financial assets will be classified into one of the two categories:

- financial assets measured at amortized cost, or

- financial assets measured at fair value.

A financial asset is measured at amortized cost, if the following two conditions are met: assets are held within a business model whose objective is to hold assets in order to generate cash flows arising under a contract, and the contractual terms give rise, on specified dates, to cash flows that constitute solely principal payments and interest on the principal outstanding.

Gains and losses on financial assets at fair value are recognized in profit or loss for the current period, except where an investment in an equity instrument is not intended for trading. IFRS 9 allows companies to decide to value such financial instruments at initial recognition at fair value through other comprehensive income. Such decision is irreversible. This choice can be made for each instrument separately. Amounts recognized in other comprehensive income may not later be reclassified to profit and loss account.

b) Amendments to IAS 19 Employee benefits – Employee contributions – effective for accounting periods beginning on or after 1 July 2014

The draft contains a proposition for the contributions paid by employees or third parties, relating only to the work rendered by employees during the same period in which they were paid, to be treated as a reduction of employment costs and be accounted for in the same period.

Other employee contributions would be allocated to the employment period in the same manner in which gross benefits under the program are recognized.

c) Improvements to IFRS (2010-2012) – changes in the procedures for annual improvements to IFRS – effective for accounting periods beginning on or after 1 July 2014

d) Improvements to IFRS (2011-2013) – changes in the procedures for annual improvements to IFRS – effective for accounting periods beginning on or after 1 July 2014

e) IFRIC 21: Levies (of 20 May 2013) – effective for annual periods beginning on or after 1 January 2014

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

3. Estimates of the Management Board

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

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

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

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

Estimates and assumptions involving significant risk include:

a) provisions for employee benefits

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

b) long-term contracts

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

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

The Group estimates the expected value of bonuses from producers which the Company should receive for orders placed in the fiscal year. The bonus is estimated based on the historical data and information concerning the counterparties' current promotional campaigns.

d) other

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

4. Accounting principles

Consolidation – Subsidiaries

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

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

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

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

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

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

Consolidation – Associates

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

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

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

Intangible assets

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

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

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

- from the technical point of view, the intangible asset can be completed so that it can be sold or used;
- it is possible to demonstrate the intention to complete the asset as well as to use and sell it;
- the asset will be fit for use or sale;

- the manner in which the asset will generate future economic benefits is apprehended;
- technical and financial resources required to complete development works and to use and sell the asset will be provided;
- it is possible to reliably determine the expenditure incurred during development works.

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

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

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

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

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

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

Tangible fixed assets

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

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

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

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

Rates adopted for the depreciation of fixed assets, including components and specialist replacement parts, reflect their predicted useful life. The estimated useful life is verified every year. Fixed assets are depreciated using the declining balance method. Useful lives for individual fixed asset items are as follows:

buildings and structures	from 10 to 40 years
machinery and equipment	from 4 to 10 years

vehicles	from 5 to 7 years
other fixed assets	from 4 to 10 years

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

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

On the balance sheet date, fixed assets and fixed assets in development are valued at costs reduced by depreciation charges and any impairment charges.

Financial assets

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

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

This category includes financial assets held for trading and financial assets designated on initial recognition to be measured at fair value. Financial assets are classified in this category if they are intended for sale in the short term. Derivatives (except for hedging instruments) are also classified as the held for trading financial assets.

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

b) Loans granted and own receivables

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

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

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

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

- from debtors in liquidation or bankruptcy – to the amount of receivables not hedged;
- from debtors where a bankruptcy petition has been dismissed – 100% of the amount of receivables;
- disputed receivables or receivables that are overdue and their payment is not probable – to the amount of receivables not hedged;
- equivalent to amounts increasing receivables – up to these amounts;
- receivables that are overdue or not overdue but it is highly probable that they will not be collected – 100% of the amount of receivables.

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

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

c) Financial assets held to maturity

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

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

d) Financial assets available for sale

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

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

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

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

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

Financial instruments and hedges

Financial instruments are recognized and measured at fair value on the balance sheet date. Methods for recognizing profit and loss related to these instruments depend on whether the instrument in question was designated as a hedge and on the nature of this hedge. A given instrument may be designated as a fair value hedge, cash flow hedge or a foreign investment hedge.

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

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or during the provision of services. Inventories include materials, goods, finished products and production in progress.

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

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

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

- goods inventories:
  - goods remaining in warehouse from 6 months to 1 year 5%

  - goods remaining in warehouse from 1 year to 2 years 10%
  - goods remaining in warehouse from 2 to 3 years30%
  - goods remaining in warehouse from 3 to 4 years50%
  - goods remaining in warehouse for more than 5 years 100%
- materials inventories
  - the value of materials is recognized in the cost of goods sold over 5 years on a straight line basis.

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

Other current and fixed assets

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

Cash and cash equivalents

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

Bank loans

Bank loans are recognized at depreciated cost using the effective interest rate method. Authorized overdrafts for which no repayment schedules have been set are an exception. For such 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 redemption and the direct costs of credit contracting, are recognized in the profit and loss account using the effective interest rate method, and increase the book value of the instrument, accounting for repayments made during the current period.

Trade and other liabilities

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

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

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

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

(all amounts are presented in PLN thousand, unless specified otherwise)

Provisions

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

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

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

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

Foreign currency transactions

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

- the exchange rate actually applied on the given date, resulting from the nature of operations – for foreign exchange sale or purchase transactions and receivables or liabilities payments;
- the average exchange rate determined for the given currency by the National Bank of Poland (NBP) as at the date in question, unless an another exchange rate is specified in the customs declaration or another document which is binding for the unit – for other operations.

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

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

Currency	Average NBP rate as at 31 December 2013	Average NBP rate as at 31 December 2012
EUR	4.1472	4.0882
USD	3.0120	3.0996
JPY 100	2.8689	3.6005

Leasing

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

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

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

Impairment

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

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

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

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

Revenue

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

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

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

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

Interest income is recognized on a cumulative basis relating to the main amount due, using the effective interest rate method.

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

Borrowing costs

Borrowing costs directly related to acquisition or production of assets which require longer time in order to commission them for use are recognized as costs of production of such assets until the assets are basically ready for intended use or sale.

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

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

The aforementioned capitalization principles are not applied to:

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

Government subsidies

Subsidies are not recognized until obtaining a reasonable assurance that the Group meets the necessary conditions and will receive such subsidies.

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

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

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

Rules applicable to the recognition of subsidies to fixed assets are also applied to transactions of free of charge receipt of fixed assets.

Costs of employee benefits

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

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

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

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

Incentive Scheme

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

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

Taxation

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

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

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

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

(all amounts are presented in PLN thousand, unless specified otherwise)

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

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

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

Discontinued activity

Discontinued activity constitute a component of the Company's operations, which represents a separate major line of business or geographical area of operations that has been disposed of or assigned to be sold or handed over, or it is a subsidiary acquired exclusively with a view to resell. Classification as discontinued activity is performed as a result of the disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued, the comparative data for the comprehensive income statement are restated as if the operation was discontinued at the beginning of the comparative period.

NOTE 3.
SALES REVENUE

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Revenue from sales of products	163,476	169,980
Revenue from sales of goods and materials	6,856	10,415
Total sales revenue	**170,332**	**180,395**
including:		
- to related undertakings	1,037	1,212

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

The amount of PLN 3,067 thousand was recognized in the sales revenue in 2013 in respect of contracts valued at stage of completion.

Main products

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

- telecommunications and value added services, including colocation and hosting, Internet access for telecommunications providers and corporate customers, the lease of transmission lines, telecommunications outsourcing;
- mobile payments (discontinued activity).

For detailed description of products, see item 1 of "Other information" in the Management Board's report on the Group's operations.

Operating segments

As a consequence of ATM S.A.'s selling all the shares in mPay S.A. in November 2013 and presentation of the results of this operation in the consolidated statements as "discontinued activity", the only segment of operations of the ATM S.A. Capital Group is the activity within the telecommunications area. This activity, pursued by ATM S.A. and an associated company, Linx Telecommunications B.V., is characterised by steadily and regularly increasing revenue and profits in subsequent reporting periods.

(all amounts are presented in PLN thousand, unless specified otherwise)

Basic financial parameters of the operating segments are presented below:

Continued activity				Discontinued activity
For the period 01/01–31/12/2013	**Telecommunications**	**Consolidation exclusions**	**Total**	**mPay S.A.**
Fixed assets	332,564	-	332,564	
Sales revenue	170,332	-	170,332	
of which: revenue excluding the "OST 112" contract	131,038	-	131,038	
Margin on sales*	**76,989**	-	**76,989**	
Operating profit (loss)	**26,323**	**-**	**26,323**	
Profit (loss) before taxation	17,948	-	17,948	
Net profit (loss) on continued operations	**17,482**	**-**	**17,482**	
EBITDA	46,264	-	46,264	

Continued activity				Discontinued activity**	
For the period 01/01 – 31/12/2012	**Telecommunications**	**Consolidation exclusions**	**Total**	**mPay S.A.**	**mPay International**
Fixed assets	315,767	-	315,767	5,559	2,569
Sales revenue	180,333	(62)	180,395	2,540	-
of which: revenue excluding the OST 112 contract	124,304		124,304	2,540	-
Margin on sales*	**74,529**	**40**	**74,569**	1,522	-
Operating profit (loss)	**24,890**	**62**	**24,952**	(1,360)	(1,872)
Profit (loss) before tax	15,284	(159)	15,125	(1,347)	(6,592)
Net profit (loss) on continued activity	**13,842**	**(159)**	13,683	(1,347)	(6,994)
EBITDA	44,327	62	44,389	238	(1,872)

**) Revenue on sales reduced by variable costs of sale*

***) Data at historical values presented in accordance with the Consolidated Annual Report of the ATM S.A. Capital Group for 2012*

Geographical activity segments as at 31 December 2013 and 2012

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Domestic sales	165,812	175,797
Export	4,520	4,598

(all amounts are presented in PLN thousand, unless specified otherwise)

Total sales revenue	**170,332**	**180,395**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

NOTE 4.
OPERATING COSTS

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Cost of sales (variable)	93,343	105,826
Cost of sales (fixed)	22,972	21,388
Selling costs	-	-
Administrative expenses	26,408	27,309
Total costs related to core operations	**142,723**	**154,523**
including:		
Amortisation and depreciation	19,940	19,438
Adjustment by received subsidies to fixed assets	(1,261)	(825)
Materials and energy consumption	12,163	11,909
External services	89,710	96,830
Taxes and fees	1,454	1,490
Payroll	15,787	14,771
Employee benefits	3,026	2,831
Other	1,099	816
Value of goods and materials sold	803	7,263
	142,723	**154,523**
Change in products resources	-	-
	142,723	**154,523**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

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 given write-down relates are sold or the circumstances due to which the write-down was made no longer exist. Costs of inventory write-downs as well as their reversal are recognized in the profit and loss account as part of the cost of goods sold.

Employee expenses

	End of the period 31/12/2013	End of the period 31/12/2012
Payroll	15,760	14,752
Costs of social insurance	2,525	2,353
Costs of retirement benefits	8	5
Other benefits after the employment period	19	15
Contributions to the Company Social Benefits Fund (ZFŚS)	53	53
Other employee benefits	448	424
	18,813	17,602

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

Payroll

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

(all amounts are presented in PLN thousand, unless specified otherwise)

Employee benefits

Social insurance costs for the group entities include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (Fundusz Gwarantowanych Świadczeń) and Labour Fund (Fundusz Pracy). In 2013 and 2012, those contributions amounted to 19.74% and 19.74% of the contribution calculation base determined pursuant to applicable laws, respectively.

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

ATM S.A. is obliged to establish the Company Social Benefit Fund (ZFŚS). Allowances to this fund are recognized as the Company's operating expenses and cash allocated for this fund has to be blocked in a separate bank account. In the financial statements, the fund assets and liabilities are presented in net amounts. Due to the nature of the fund operations, its assets and liabilities are equal. As at 31 December 2013 and 31 December 2012, the Company Social Benefit Fund amounted to PLN 88 thousand and 138 thousand, respectively.

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

Costs of research and development

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Costs included directly in costs related to basic operations	-	-
Depreciation costs related to deferred costs of development works	771	1,148
	771	**1,148**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

Costs of development works are recognized as intangible assets upon fulfilling the conditions and pursuant to principles described in Note 2. Depreciation of capitalized costs of development works is included in 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 Company operating expenses as general and administrative costs.

NOTE 5.
OTHER OPERATING REVENUE

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Reversal of receivables revaluation write-downs	109	52
Compensation obtained	112	41
Subsidies received	-	703

(all amounts are presented in PLN thousand, unless specified otherwise)

Other	282	61
	503	**858**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

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

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

NOTE 6.
OTHER OPERATING EXPENSES

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Loss arising from sales and liquidation of fixed assets	31	68
Receivables revaluation write-downs	500	174
Inventories revaluation write-downs	37	-
Impairment write-downs	20	19
Donations given	-	16
Litigation expenses	-	-
Fines and penalties paid	-	92
Incentive Scheme expenses	134	377
Other	1,068	1,032
Of which*	968	323
	1,789	**1,778**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

* Part of the Management Board's remuneration, referred to in Note 26 and dependent on the increase in prices of Company shares.

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

NOTE 7.
FINANCIAL REVENUE

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Dividends received		
Interest on bank deposits	49	256
Interest on deferred and overdue payments	374	1,559
Interest on securities	-	-
Interest on loans	18	406

(all amounts are presented in PLN thousand, unless specified otherwise)

Gains on exchange rate differences		
Profit on investment disposal		
Other	158	2
	559	**2,223**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

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

NOTE 8.
FINANCIAL EXPENSES

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Interest and fees on bank loans	2,217	2,366
Interest on instalment purchases	1,975	2,265
Budget interest	-	-
Interest on overdue payments	69	1,519
Losses on exchange rate differences	252	1,326
Finance lease costs	1,564	2,534
Loss on sales of financial assets	-	-
Revaluation of financial assets	-	-
Valuation of financial instruments	288	1,678
Other	47	144
	6,411	**11,832**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

Interest on late payments are the result of the postponement of payments to sub-contractors in connection with the postponement of the payments received from the ordering party under the execution of the OST 112 contract. These costs correspond with the revenue from late payments disclosed in Note 7.

The “Valuation of financial instruments” item is the cost of the revaluation of the IRS contract hedging the interest rate risk in respect of the investment loan.

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

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

(all amounts are presented in PLN thousand, unless specified otherwise)

Disclosures of revenues, expenses, gains or losses according to categories of financial instruments

01.01.2013 - 31.12.2013	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss (determined upon initial recognition)	Financial assets held to maturity	Financial assets available for sale	Loans granted and own receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Income/expenses under fair value measurement						(288)		**(288)**
Income/expenses under fair value measurement transferred from equity								**-**
Interest income/expenses					441		(4,260)	**(3,820)**
Interest income concerning impaired assets								**-**
Establishment of revaluation write-downs								**-**
Reversal of revaluation write-downs								**-**
FX gains/losses							(252)	**(252)**
Profit/loss on disposal of financial instruments								**-**
Costs of derivatives execution								**-**
Other: including finance lease costs					159		(1,610)	**(1,451)**
Total profit/loss	**0**	**0**	**0**	**0**	**600**	**(288)**	**(6,123)**	**(5,811)**

(all amounts are presented in PLN thousand, unless specified otherwise)

01.01.2012 - 31.12.2012	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through profit or loss (determined upon initial recognition)**	**Financial assets held to maturity**	**Financial assets available for sale**	**Loans granted and own receivables**	**Financial liabilities at fair value through profit or loss**	**Other financial liabilities**	**Total**
Income/expenses under fair value measurement						(1,678)		**(1,678)**
Income/expenses under fair value measurement transferred from equity								**-**
Interest income/expenses					2,221		(6,150)	**(3,929)**
Interest income concerning impaired assets								**-**
Establishment of revaluation write-downs								**-**
Reversal of revaluation write-downs								**-**
Foreign exchange gains (losses)							(1,326)	**(1,326)**
Profit/loss on disposal of financial instruments								**-**
Costs of derivatives execution								**-**
Other: including finance lease costs					2		(2,676)	**(2,674)**
Total profit/loss	**0**	**0**	**0**	**0**	**2,223**	**(1,678)**	**(10,152)**	**(9,606)**

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 9. INCOME TAX

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Statutory tax rate	19%	19%
Current income tax		
Current tax expense	-	3,657
Adjustments concerning previous years	-	-
	-	**3,657**
Deferred income tax		
Relating to the origination and reversal of temporary differences	467	(2,216)
Relating to change in the tax rate	-	-
	467	**(2,216)**
Tax expense reported in the profit and loss account	**467**	**1,441**

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

Current tax expense is calculated on the basis of applicable tax regulations. Pursuant to these regulations, tax profit (loss) is distinguished from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the fiscal year in question. Since 2004, the rate applicable pursuant to amended regulations has amounted to 19%. Current regulations do not provide for any differences in tax rates during future periods.

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

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

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Gross result before taxation	17,948	15,125
Statutory tax rate	19%	19%
Tax at the statutory rate	**3,410**	**2,874**
Tax impact of income not recognized as income according to tax regulations	(925)	(459)
Tax impact of income not recognized as income according to accounting regulations		
Tax impact of expenses not recognized as expenses according to tax regulations	(799)	1,033
Tax impact of expenses not recognized as expenses according to accounting regulations	(1,954)	(2,006)
Tax impact of tax losses deducted during the period		
Tax impact of tax losses incurred during the period	735	
Tax at the effective rate	**467**	**1,441**
Effective tax rate	3%	10%

(all amounts are presented in PLN thousand, unless specified otherwise)

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. Deferred income tax as at 31 December 2013 and 31 December 2012 results from the items shown in the table below.

	Financial situation statement		**Total income statement**	
	End of the period 31/12/2013	End of the period 31/12/2012	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Deferred tax provision				
Difference between the balance sheet and tax value of intangible assets	-	-	-	-
Difference between the balance sheet and tax value of leased fixed assets	-	-	-	-
Difference between the balance sheet and tax value of tangible fixed assets	2,676	2,435	241	(673)
Recognized service revenue	401	-	401	(388)
Receivable compensation	-	-	-	-
Accrued interest	5	110	(105)	63
Valuation of financial instruments	-	-	-	-
Subsidies received — settlement	4	-	4	(2)
FX gains	-	-	-	-
Provision for deferred tax acquired as a result of merger	-	-	-	-
Gross deferred tax provision	**3,086**	**2,545**	**541**	**(1,000)**
Deferred tax assets				
Valuation of financial instruments	-	-	-	-
Difference between the balance sheet and tax value of tangible fixed assets	-	-	-	-
Deferred payment revenue	-	2	2	15
Revenue settled over time	-	-	-	-
Inventory write-downs	158	155	(3)	(6)
Receivable write-downs	127	238	111	(160)
Write-downs on financial assets	-	-	-	-
Provisions for service expenses	290	298	8	(275)
Provisions for employee benefits	-	-	-	-
FX losses	-	-	-	-
Liabilities due to Social Insurance Institution (ZUS)	-	-	-	-
Liabilities due to employees	-	-	-	-
Deferred income/expenses	-	181	181	(181)
Subsidies received	-	5	5	(5)
Effects of IRS valuation	238	319	81	(319)
Recognized interest	11	285	274	(285)
Tax losses to be deducted	734	1,025	(734)	-
Deferred tax assets acquired through mergers	-	-	-	-
Gross deferred tax assets	**1,558**	**2,508**	**(75)**	**(1,216)**
Net tax assets (tax provision)	**(1,528)**	**(37)**		
Deferred income tax charge against profit			**467**	**(2,216)**

NOTE 10.
EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

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

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

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Weighted average number of shares	36,343,344	36,343,344
Net profit for 12 months (in PLN thousand)	11,640	11,332
Net earnings per share (PLN)	0.32	0.31

Data for the period of 01/01–31/12/2012 have been restated in accordance with § 34 of IFRS 5.

Dividends paid and declared

On 12 June 2013, the Ordinary General Meeting of the Company adopted a resolution allocating a part of profit for 2012, i.e. PLN 3,634,334.40 to the payment of dividend, corresponding to PLN 0.10 per share. The number of shares eligible for the payment of dividend is 36,343,344. The dividend date was set at 19 June 2013, and the dividend payment date — at 3 July 2013.

In the Current Report No 25/2012 of 25 April 2012, the Management Board of ATM announced the suspension of payment of dividends by the Company due to the planned extensive investments concerning the expansion of data centers until 2015. As at the date of this annual report, the Management Board of ATM has not yet submitted its position on the distribution of the Company's profit for 2013.

NOTE 11.
GOODWILL

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

	End of the period 31/12/2013	End of the period 31/12/2012
mPay S.A.	-	128
	-	**128**

The majority of goodwill arose from the consolidation of undertakings in which the Issuer purchased shares in the years 2006–2009. The goodwill, following the sale, was settled.

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 12.
INTANGIBLE ASSETS

	For the period 01/01–31/12/2013	For the period 01/01–31/12/2012
Costs of completed development works	2,411	7,060
Concessions and licenses	2,690	2,459
Perpetual usufruct rights		34,118
Other intangible assets		526
	5,101	**44,163**
including:		
Intangible assets used under finance lease agreements	35	44

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

As at 31 December 2013, development works include the following projects developed in-house:

Voice over IP

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

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

In 2013, the Company did not incur expenditure on development works concerning this platform.

Atmosfera Service Desk

The Atmosfera business process support system enables the streamlined organization and enhancement of user support processes as well as the implementation of the service-oriented approach in the IT industry. In December 2006, the Atmosfera Service Desk v. 5.0 system was certified by the Canadian Pink Elephant company
as ITIL compliant in the Service Support area, as the only Polish solution to date. ITIL, which stands for IT Infrastructure Library, is the most important IT service provision methodology. In 2013, the Company did not incur expenditure on development work concerning this platform.

mPay mobile payments system

ATM S.A. has formed a consortium with its subsidiary mPay S.A. and is among the companies working on the "mPay mobile payments system" research and development project, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Program 1.4.1. Within the framework of the project, scenarios were developed with regard to the handling of various types of payment acceptors, methods for detecting fraud attempts and protecting against them are being perfected, and the user interface is being designed. All shares of ATM S.A. in mPay S.A. were sold in November 2013 sold (Note 32).

(all amounts are presented in PLN thousand, unless specified otherwise)

Development work under construction:

	End of the period 31/12/2013	End of the period 31/12/2012
mPay platform	-	808
	-	808

The costs of the aforementioned projects were tested for impairment on 31 December 2013.

No impairment concerning these expenditures was identified as per the conducted procedures.

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

As at 31 December 2013, there were no impairment write-downs concerning intangibles.

There were no intangible assets whose legal ownership is subject to restrictions or which are covered by commitments.

There are no contractual obligations for the acquisition of intangible assets.

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

(all amounts are presented in PLN thousand, unless specified otherwise)

Movements in the amount of intangible assets during the period from 1 January to 31 December 2013

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at 31 December 2012	**17,944**	**9,366**	**35,233**	**1,260**	**63,803**
Increases:					**-**
- acquisition		1,283			**1,283**
- relocations					**-**
Decreases:					**-**
- sales	9,317			1,260	**10,577**
- liquidation					**-**
- relocations			35,233		**35,233**
- transfer between companies					**-**
As at 31 December 2013	**8,627**	**10,650**	**-**	**-**	**19,278**

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Accumulated depreciation					
As at 31 December 2012	**10,884**	**6,907**	**1,115**	**734**	**19,641**
Increases:					
- amortisation and depreciation	771	1,053	334		**2,159**
- relocations					**-**
Decreases:					
- sales and liquidation	5,439			734	**6,174**
- relocations			1,449		**1,450**
- transfer between companies					**-**
As at 31 December 2013	**6,216**	**7,960**	**-**	**-**	**14,177**
Net as at 31 December 2013	**2,411**	**2,690**	**-**	**-**	**5,101**

(all amounts are presented in PLN thousand, unless specified otherwise)

Movements in the amount of intangible assets during the period from 1 January to 31 December 2012

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at 1 January 2012	**24,400**	**20,707**	**35,747**	**8,923**	**89,777**
Increases:					
- acquisition	3,871	1,212	-	2	5,085
- relocations	1,003				1,003
Decreases:					
- sales	-	-	-	-	-
- liquidation	-	15	-	-	15
- relocations		-	-	1,003	1,003
- transfer in connection with business unit division	11,330	12,553	514	6,662	31,059
As at 31 December 2012	**17,944**	**9,366**	**35,233**	**1,260**	**63,803**
Accumulated depreciation					
As at 1 January 2012	**13,644**	**7,855**	**1,800**	**5,575**	**28,874**
Increases:					
- amortisation and depreciation	2,563	1,058	446	141	4,208
- relocations	1,110	-	-	-	1,110
Decreases:					
- sales and liquidation	-	13	-	-	13
- relocations				1,110	1,110
- transfer in connection with business unit division	6,433	1,993	1,131	3,872	13,429
As at 31 December 2012	**10,884**	**6,907**	**1,115**	**734**	19,640
Net as at 1 January 2012	10,756	12,852	33,947	3,348	60,903
Net as at 31 December 2012	**7,060**	**2,459**	**34,118**	**526**	**44,163**

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 13.
FIXED ASSETS

	End of the period 31/12/2013	End of the period 31/12/2012
Fixed assets		
Land	34,254	-
Buildings and structures	154,261	138,541
Machinery and equipment	56,663	56,245
Vehicles	2,333	2,598
Other	60	67
Fixed assets under construction	15,443	10,246
Advances for fixed assets under construction	-	-
	263,014	**207,697**
including:		
Fixed assets used under finance lease agreements	30,416	36,103

In connection with the conversion of perpetual usufruct of land into the ownership of land (according to the request submitted by the Company to the Office for the Capital City of Warsaw), a reclassification was carried out of PLN 33,784 thousand between “Intangible assets” and “Tangible fixed assets” in the “Statement of financial position”.

The “Buildings and structures” item includes investments in data centers and fiber optic networks.

The Company uses a part of fixed assets under finance lease agreements.

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

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

As at 31 December 2013, there were no impairment write-downs concerning fixed assets.

Tangible fixed assets whose legal ownership is subject to restrictions or which are covered by commitments include:

- a group of fixed assets, on which registered pledge was established for BZ WBK Leasing S.A. (loan) in the amount of PLN 4,846 thousand,

- a group of fixed assets, on which registered pledge was established for Bank Millennium S.A. (investment loan) in the amount of PLN 3,493 thousand,

There are no contractual obligations for the acquisition of tangible fixed assets.

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

(all amounts are presented in PLN thousand, unless specified otherwise)

Movements in the amount of fixed assets from 1 January to 31 December 2013

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 31 December 2012	**-**	**166,247**	**100,988**	**4,993**	**154**	**272,382**
Increases:						
- acquisition	-	23,376	14,778	1,029	-	39,183
- other (including finance lease)	34,254	17	7,864	423	-	42,558
Decreases:						
- sales	-	509	118	713	-	1,340
- liquidation	-	-	132	-	-	132
- finance lease expiry		-	12,055	1,029	-	13,084
- donations						-
- transfer between companies						-
As at 31 December 2013	**34,254**	**189,131**	**111,325**	**4,703**	**154**	**339,567**
Accumulated depreciation						-
As at 31 December 2012		**27,706**	**44,744**	**2,395**	**87**	**74,931**
Increases:						-
- depreciation	-	7,247	10,193	373	7	17,820
Decreases:						
- sales and liquidation	-	83	275	398	-	756
- donations	-	-	-	-	-	-
- transfer between companies	-	-	-	-	-	-
As at 31 December 2013	**-**	**34,870**	**54,662**	**2,370**	**94**	**91,996**
						-
Net as at 31 December 2013	**34,254**	**154,261**	**56,664**	**2,333**	**60**	**247,571**

(all amounts are presented in PLN thousand, unless specified otherwise)

Movements in the amount of fixed assets from 1 January to 31 December 2012

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2012	**662**	**154,104**	**97,921**	**11,033**	**339**	**264,059**
Increases:		15,719	25,130	1,132	-	41,981
- acquisition		15,719	13,352	890	-	29,961
- acquisition as a result of business combination						
- other (including finance lease)			11,778	242		12,020
Decreases:	662	3,576	22,063	7,172	185	33,658
- sales		1,576	843	216	-	2,635
- liquidation		-	304	890	-	1,194
- finance lease expiry	-	-	9,348	1,967	-	11,315
- donations						
- transfer in connection with business unit division	662	2,000	11,568	4,099	185	18,514
As at 31 December 2012	**-**	**166,247**	**100,988**	**4,993**	**154**	**272,382**
Accumulated depreciation						
As at 1 January 2012	**36**	**21,545**	**40,430**	**5,373**	**219**	**67603**
Increases:						
- amortisation and depreciation		6,675	10,377	487	9	17,548
Decreases:		514	6,064	3,465	141	10,184
- sales and liquidation		253	915	157	-	1,325
- donations		-	-	-	-	-
- transfer in connection with business unit division		261	5,149	3,308	141	8,859
As at 31 December 2012		**27,706**	**44,744**	**2,395**	**87**	74,932
Net as at 31 December 2012	**-**	**138,541**	**56,245**	**2,598**	**67**	**197,451**

NOTE 14.
FINANCIAL ASSETS

INVESTMENTS IN ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

	End of the period 31/12/2013	End of the period 31/12/2012
Shares in other undertakings	64,241	68,367
(-) impairment write-downs	-	-
	64,241	**68,367**

(all amounts are presented in PLN thousand, unless specified otherwise)

FINANCIAL ASSETS HELD FOR TRADING

	End of the period 31/12/2013	End of the period 31/12/2012
Loans granted to associates	-	858
Loans granted to other entities	453	112
	453	**970**

The Company granted interest-bearing loans at rates comparable to average interest rates of commercial loans.

NOTE 15.
OTHER FIXED ASSETS

	End of the period 31/12/2013	End of the period 31/12/2012
Guarantee deposits	208	125
Trade receivables		
Prepaid maintenance costs		
Unearned financial income from instalment sales		
Incentive Scheme expenses		
Other		37
	208	**162**

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

NOTE 16.
INVENTORIES

	End of the period 31/12/2013	End of the period 31/12/2012
Materials	2,199	1,806
Production in progress	-	-
Finished products	-	-
Goods	41	171
Revaluation write-downs	(729)	(636)
	1,511	**1,340**

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

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 17.
TRADE AND OTHER RECEIVABLES

	End of the period 31/12/2013	End of the period 31/12/2012
Trade receivables from related undertakings	119	122
Trade receivables from other undertakings	29,117	24,073
Tax receivables	-	-
Advances transferred	-	3
Other receivables	188	385
Receivables under litigation	535	214
Unearned financial income from instalment sales	-	-
Revaluation write-downs	(667)	(500)
	29,293	**24,297**

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

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

Analysis of the ageing structure of trade receivables

	End of the period 31/12/2013	End of the period 31/12/2012
current, of which:	27,590	19,725
from related entities	114	122
from other entities	27,476	19,603
overdue, of which:	1,646	4,470
from related entities	5	-
under 180	5	-
180 – 360	-	-
more than 360	-	-
	-	-
from other entities	1,641	4,470
under 180	917	2,574
180 – 360	141	1,115
more than 360	583	780
	29,236	**24,195**

Analysis of changes in write-downs on receivables

	End of the period 31/12/2013	End of the period 31/12/2012
Opening balance	**500**	**670**
Increases, of which:	491	171
- Recognition	491	171
Decreases, of which:	324	341
- Reversal	45	52
- Utilization	280	32
- Division	-	257
Closing balance	**667**	**500**

(all amounts are presented in PLN thousand, unless specified otherwise)

Analysis of the ageing structure of receivables under litigation

	End of the period 31/12/2013	End of the period 31/12/2012
from other entities	535	214
under 360	387	137
more than 360	118	27
more than 720	29	51
	535	**214**

NOTE 18.
OTHER CURRENT ASSETS and OTHER FINANCIAL RECEIVABLES

	End of the period 31/12/2013	End of the period 31/12/2012
Financial lease interest	-	-
Paid maintenance costs	129	119
Unrealized exchange differences on lease agreements	-	307
Prepaid subscriptions, rents, insurance, etc.	151	499
Services of subcontractors related to future revenue	2,144	3,086
Recognized sales revenue	-	-
VAT deductions under bad debt relief	1,901	-
	4,325	**4,011**

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

NOTE 19.
CASH AND CASH EQUIVALENTS

	End of the period 31/12/2013	End of the period 31/12/2012
	-	-
Cash in hand	5	13
Cash in bank	695	3,162
Short-term deposits	429	1,403
	1,129	**4,578**

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

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

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 20.
EQUITY

	End of the period 31/12/2013	End of the period 31/12/2012
Registered share capital	34,526	34,526
Unsubscribed treasury shares under management option scheme	-	-
Hyperinflationary adjustment	197	197
	34,723	**34,723**

Share capital

Registered share capital includes:

Series	Number of shares	Face value	Registration date	Dividend registration rights	Method of coverage	Type of shares
A	36,000,000	34,200,000.00	5.12.2007	*	Cash	Ordinary
B	343,344	326,176.80	9.09.2009	1.01.2009	Cash	Ordinary
Total	36,343,344	34,526,176.80				

Face value per share (PLN):	0.95

**) all series A shares have equal rights to dividends*

Incentive Scheme

Pursuant to Resolution No 11/2008 of the Ordinary General Meeting of Company Shareholders of 5 June 2008, an Incentive Scheme for the ATM S.A. Capital Group employees was approved for the years 2008–2010. This resolution also allowed for the purchase by the Company of no more than 1,500,000 treasury shares needed in connection with the Scheme in the years 2008–2010, for an amount not exceeding PLN 13.5 million.

The Scheme covers the Company employees and partners, members of Management Boards and other ATM S.A. Capital Group employees and partners.

Incentive Scheme participants gained the right to purchase shares at face value from the Company (share purchase options).

The list of persons authorized to buy shares for each of the three periods has been prepared by the ATM S.A. Management Board and approved by the Supervisory Board.

As at 31 December 2012, the Company had 1200 treasury shares.

In 2008–2012, the following numbers of options were determined under the Incentive Scheme:

- in 2008: 444,400 share purchase options,
- in 2009: 314,100 share purchase options,
- in 2010: 286,820 share purchase options,
- in 2011: 23,260 share purchase options,
- in 2012: no share purchase options were granted,
- in 2013: 1,200 share purchase options.

Based on the determined share purchase options, shares were purchased by Incentive Scheme participants pursuant to an agreement concluded with the Company, which included, i.a., the following provisions:

- purchased shares were transferred to the investment account of the authorized person, held by a brokerage house indicated by the Company;

(all amounts are presented in PLN thousand, unless specified otherwise)

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

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

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

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

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

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

Parameter	Value			Comments
	Tranche 2008	Tranche 2009	Tranche 2010	
Granting date	2008-06-05	2009-05-11	2010-08-12	For the 2008 Tranche, the granting date is the date of approval of the Rules of the Scheme.
Share price as at the granting date	PLN 8.20	PLN 4.90	PLN 8.62	Based on WSE listings.
Risk-free interest rate	The risk-free interest rate for each Tranche was calculated based on interbank deposit quotes and interest rate swaps as at the date of granting (source: REUTERS).			
Volatility (annualized)	39.23%	41.77%	29.31%	Based on WSE listings.
Dividend yield	6.87%	0.00%	0.00%	Dividend yield calculated based on the Company's policy, i.e. dividend depends on the EURIBOR 1Y rates and stock exchange listings. The Company did not pay dividends for 2008.
Execution price	PLN 0.95	PLN 0.95	PLN 0.95	In accordance with the Scheme
Number of options	439,800	306,100	286,820	
Market conditions	N/A			
Non-market conditions	Employment			
Employees' leave rate	0%	0%	0%	
Maturity date				
- Part 1	2008-09-03	2009-08-13	2010-09-10	2008: 90 days from approval of the financial statements for the previous year by the Ordinary General Meeting of Shareholders. For the 2009 Tranche, it is 15 May 2009, assuming that as at the granting date, the Company has
- Part 2			2011-09-10	
- Part 3			2012-09-10	

(all amounts are presented in PLN thousand, unless specified otherwise)

- Part 4			2013-09-10	had formally notified the shareholders of the date of the Ordinary General Meeting of Shareholders.
- Part 5			2014-09-10	2010: For cost recognition purposes, the latest date of share purchase (10 September 2010) and the dates of unblocking the shares (until 2014) have been specified.

The Scheme value was recognized in:

- current period result in the part attributable to ATM S.A. employees for 2013 (PLN 134 thousand);

Ownership structure

The ownership structure of ATM S.A. share capital as at 31 December 2013 was as follows:

Shareholder	Number of shares 31/12/2013	%	Number of shares 31/12/2012	%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	9,109,654	25.07%	-	-
ATP Invest Sp. z o.o. S.K.A.*	-	-	9,047,924	24.90%
ING OFE**	3,571,486	9.83%	3,535,569	9.73%
PKO BP Bankowy OFE**	2,773,291	7.63%	no data	no data
POLSAT OFE***	-	-	2,817,842	7.75%
Piotr Puteczny****	2,243,066	6.17%	2,243,066	6.17%
ALTUS TFI*****	1,828,065	5.03%	1,828,065	5.03%
Other shareholders	16,817,782	46.27%	16,870,878	46.42%
	36,343,344	**100%**	**36,343,344**	**100%**

**) entities controlled by Tadeusz Czichon, Vice-President of the Management Board of ATM S.A.; on 30 December 2013, the Company received a notification of transactions concerning ATM S.A. shares between these entities*

***) number of shares as at 31 December 2013 based on the “Annual asset structure”*

****) on 19 July 2013, the liquidation of POLSAT OFE was completed and its assets were taken over by PKO BP Bankowy OFE (of which the Issuer informed the public in Current Report No 27/2013)*

*****) jointly with his spouse*

******) number of shares pursuant to a notification dated 17 December 2012*

Reserve capital

The Group establishes reserve capital 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 reserve capital.

Retained earnings

	End of the period 31/12/2013	End of the period 31/12/2012
Retained earnings from previous years, of which:	10,012	5,157
Statutory supplementary capital	4,453	4,453
Profit distribution (over the statutory amount)	5,559	704
IFRS implementation profit (loss)		
Management option scheme profit (loss)		
Capital adjustment as a result of business combination		
Current period profit (loss)	11,640	13,055
	21,652	**18,212**

(all amounts are presented in PLN thousand, unless specified otherwise)

Data as at 31 December 2012 were corrected in accordance with the description included in Note 34 “Differences in comparison to previously published financial statements”.

Retained earnings brought forward include the entire profit retained by the Company pursuant to the shareholders’ decision as well as the effects of IFRS implementation.

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

NOTE 21.
NON-CONTROLLING SHARES

	End of the period 31/12/2013	End of the period 31/12/2012
mPay S.A.	-	2,251
	-	**2,251**

NOTE 22.
BANK AND OTHER LOANS

	End of the period 31/12/2013	End of the period 31/12/2012
Bank loans	56,797	45,283
Other loans	4,846	-
	61,643	**45,283**

Currency composition of loans

	End of the period 31/12/2013	End of the period 31/12/2012
Loans in PLN	61,643	45,282
Bank loans in EUR	-	-
	61,643	**45,282**

Average bank loan interest rates

Interest rate on bank loans taken out by an undertaking:	End of the period 31/12/2013	End of the period 31/12/2012
Bank overdrafts	4.01%	5.72%
Bank loans in PLN	4.54%	6.27%
Bank loans in EUR	-	-

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

Specification of liabilities arising from bank loans as at 31 December 2013

	Base loan value			Short-term portion		Long-term portion				
Lender	Loan amount in PLN thousand	Loan amount in foreign currency	Currency	Loan amount in PLN thousand	Loan amount in foreign currency	Loan amount in PLN thousand	Loan amount in foreign currency	Interest rate	Due date	Collateral
Fortis Bank Polska SA (authorized overdraft)	15,000	-	-	14,215	-	-	-	WIBOR 1M plus bank margin	12.02.2014	- blank promissory note; - statement of submission to enforcement proceedings
BRE Bank SA (authorized overdraft)	10,000	-	-	7,511	-	-	-	WIBOR ON plus bank margin	30.05.2014	- blank promissory note with promissory note declaration
Bank Millennium S.A. (investment loan)	3,493	-	-	676	-	2,817	-	WIBOR 1M plus bank margin	27.02.2019	registered pledge on a group of fixed assets
Bank Millennium S.A. (authorized overdraft)	10,000	-	-	-	-	-	-	WIBOR 1M plus bank margin	27.10.2014	- blank promissory note with promissory note declaration
Bank Zachodni WBK S.A. (authorized overdraft)	5,000	-	-	148	-	-	-	WIBOR 1M plus bank margin	31.03.2014	- blank promissory note with promissory note declaration
BZ WBK Leasing S.A. (loan)	4,846			2,164		2,682		WIBOR 1M plus lender's margin	20.03.2016	registered pledge on a group of fixed assets
Bank Zachodni WBK S.A. (investment loan)	31,430	-	-	4,830	-	26,600	-	WIBOR 1M plus bank margin	28.02.2017	- contractual mortgage up to the amount of PLN 42 million - transfer of the property insurance policy
	79,769	**-**		**29,544**	**-**	**32,099**	**-**			

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 23.
PROVISIONS FOR LIABILITIES

As at 31 December 2013 and 31 December 2012, the Group does not have any provisions for liabilities.

NOTE 24.
LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of the period 31/12/2013	End of the period 31/12/2012
Trade liabilities to related undertakings	18,957	22,456
Trade liabilities to other undertakings	-	-
Deferred payment sales interest	-	-
Prepaid unperformed services and maintenance costs	-	-
Subsidies received for fixed asset financing	486	4,579
Other	1	1
	19,443	**27,036**
of which payable within:		
from 1 to 2 years	3,500	3,500
from 3 to 5 years	10,985	10,499
over 5 years	4,959	13,037

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

NOTE 25.
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of the period 31/12/2013	End of the period 31/12/2012
Trade liabilities to related undertakings	3,508	3,558
Trade liabilities to other undertakings	15,392	9,148
Liabilities arising from taxes and social insurance	3,401	2,018
Received advances	-	-
Payroll liabilities	2	12
Other liabilities and accruals, including:	7,459	5,379
share purchase liabilities		-
settlements arising from bonuses	-	323
settlements arising from outstanding leaves	228	145
settlements related to uninvoiced expenses	947	607
subsidies	4,310	32
deferred income	354	194
other liabilities	1,620	4,079
- of which on account of IRS instrument valuation	1,251	1,678
	29,763	**20,115**

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

(all amounts are presented in PLN thousand, unless specified otherwise)

In 2013, the Company did not rely on a small group of suppliers. Only purchases from one supplier — Orange Polska S.A. — exceeded a 10% threshold of overall purchases; its share of the Group's overall purchases in 2013 amounted to 18%. The purchases concerned the delivery of services for the execution of the OST 112 contract.

NOTE 26.
OTHER FINANCIAL LIABILITIES

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

	End of the period 31/12/2013	End of the period 31/12/2012
Liabilities arising from dividend payouts	-	-
Liabilities arising from finance leases	22,845	30,706
Liabilities arising from financing of receivables	5	
Other	-	-
	22,850	**30,706**
Value of liabilities arising from finance leases due within:		
- one year	9,622	13,161
- from 2 to 5 years	15,485	20,789
- more than 5 years	-	-
	25,107	33,949
Future interest expenses (-)	(2,261)	(3,243)
		-
Present value of future liabilities	22,845	30,706
including:		
Amounts due within the next 12 months (included in short-term liabilities)	8,127	11,497
Amounts due after more than 12 months within:	14,719	19,208
- from 2 to 5 years	14,719	19,208
- more than 5 years	-	-

Finance lease agreements concern machinery and equipment, vehicles and software licenses constituting intangible assets. As at 31 December 2013, the Company was party to 65 agreements, under which it leased fixed assets with a total net value of PLN 30,451 thousand as at that date.

As at 31 December 2012, the Group was party to 96 agreements, under which it leased fixed assets with a total net value of PLN 36,147 thousand as at that date.

The agreements provide neither for contingent rents nor any subleases. Most agreements include a clause concerning the purchase option at a contractual price, lower than the fair value of the leased asset. The agreements do not involve any constraints for the lessee apart from the payment of liabilities arising from lease instalments and the general terms and conditions concerning the proper use of leased assets.

NOTE 27. OPERATING LEASES

Operating lease liabilities — the Group as a lessor

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

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

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

Operating lease liabilities – the Group as a lessee

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

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

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

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

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

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

Expenses related to the minimum lease payments for property leases during individual periods amounted to, respectively: PLN 2,046 thousand in 2013 and PLN 2,137 thousand in 2012.

(all amounts are presented in PLN thousand, unless specified otherwise)

Minimum lease payments for property lease were as follows:

	End of the period 31/12/2013	End of the period 31/12/2012
up to 1 year	2,076	2,028
from 1 to 5 years	10,376	10,134
over 5 years	2,249	4,224
	14,701	**16,386**

CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

There were no contingent receivables.

Contingent liabilities

	End of the period 31/12/2013	End of the period 31/12/2012
To related undertakings:	-	-
To other undertakings:		
1. Bank guarantees received:		
- performance bonds and tender bonds	6,598	7,423
2. Collateral pledge	8,339	-
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing		
- bank loan securities	42,000	42,000
	56,937	**49,423**

NOTE 28.
INFORMATION CONCERNING RELATED UNDERTAKINGS

Details of related undertakings

1. Undertakings related to the Company

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

- ATM PP Sp. z o.o. – related through Mr Tadeusz Czichon who is the Vice-President of the Management Board of this undertaking,
- ATP-Investments Sp. z o.o. – related through Mr Tadeusz Czichon who holds 49.9% of shares in this company, and at the same time is its proxy.
- ATP-Invest Sp. z o.o. S.K.A. – related through Mr Tadeusz Czichon who holds 91.9% of shares in this company,
- Seleris Sp. z o.o. – related through Mr Maciej Krzyżanowski who holds 30% of shares in this company.

(all amounts are presented in PLN thousand, unless specified otherwise)

Sales to and purchases from related undertakings are executed at normal market prices. Outstanding liabilities and receivables at the end of the fiscal year are not secured and are settled in cash. Receivables from related undertakings are not covered by any extended or received guarantees.

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

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

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

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

Related undertaking	Year	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings
ATM PP Sp. z o.o.	2013	395	240	5	16,363
	2012	396	240	4	18,913
Linx Telecommunications B.V.	2013	631	67	113	8
	2012	610	67	117	8
Seleris Sp. z o.o.	2013	-	1,141	-	-
	2012	-	122	-	-
ATP-Investments Sp. z o.o. SKA	2013	-	120	-	6,094
	2012	-	-	-	7,044
ATP-Investments Sp. z o.o	2013	11	999	1	-
	2012	7	495	1	49
Total	**2013**	**1,037**	**2,567**	**119**	**22,465**
	2012	**1,013**	**924**	**122**	**26,014**

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

2. Directing and supervisory body members and their close relatives

Other Company related entities include members of directing and supervisory bodies (including management) and persons who are their close relatives (i.e. partner and children, the partner's children and persons dependent on the member or his or her partner) as well as other businesses in which members of the parent undertaking Management Board perform management duties or are shareholders thereof.

(all amounts are presented in PLN thousand, unless specified otherwise)

Senior management remuneration

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

	End of the period 31/12/2013	End of the period 31/12/2012
Short-term employee benefits	4,373	3,253
Benefits after the employment period	-	-
Revenues from dissolution of employment	-	-
	4,373	**3,253**

The short-term employee benefits referred to above concern:

	End of the period 31/12/2013	End of the period 31/12/2012
Management Board	2,260	1,083
Supervisory Board	260	263
Directors and managers	1,854	1,907
	4,373	**3,253**

Apart from the above-mentioned remuneration, directors and managers are covered by the Incentive Scheme (Note 20). No loans, guarantees or sureties were granted to the aforementioned persons, members of the Management Board or Supervisory Board, in the periods covered by the present financial statements.

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

NOTE 29.
PRESENTATION OF DISCONTINUED ACTIVITY

The Group presented a loss of PLN 5,634 thousand which arose as a result of the sale of shares of a subsidiary, mPay S.A., as discontinued activity.

In addition, the loss of PLN 208 thousand resulting from the final settlement of the accepted claims of ATM S.A. in the bankruptcy proceedings of mPay International Sp. z o.o. was presented as discontinued activity.

(all amounts are presented in PLN thousand, unless specified otherwise)

CONSOLIDATED STATEMENT OF INCOME OF DISCONTINUED ACTIVITY

	For the period 01/01–31/12/2013
Continued activity	
Sales revenue	
of which: revenue excluding the "OST 112" contract	
Cost of sales (variable)	
Sales margin	**-**
Cost of sales (fixed)	
Gross profit (loss) on sales	**-**
Other operating revenue	
Selling costs	
Administrative expenses	
Other operating expenses	
Restructuring cost	
Operating profit (loss)	**-**
Share in the financial result of undertakings valued using the equity method	-
Financial revenue	
Financial costs	
Profit (loss) before taxation	**-**
Income tax	
Net profit (loss) on continued activity	**-**
Discontinued activity	
Net profit (loss) on discontinued activity	(5,842)
Net profit (loss)	**(5,842)**

CONSOLIDATED STATEMENT OF TOTAL INCOME OF DISCONTINUED ACTIVITY

	For the period 01/01–31/12/2013
Net profit (loss)	(5,842)
Other total income that will not be reclassified to profit or loss	**-**
Results of revaluation of fixed assets	**-**
Actuarial gains or losses	**-**

Share in other total income of associated entities	-
Income tax related to items that will not be reclassified	-
Other total income that may be reclassified to profit or loss	-
Revaluation of tangible fixed assets	-
Exchange differences on translation of foreign operations	-
Results of valuation of financial assets available for sale	-
Hedge accounting	-
Income tax related to other total income items	-
Total revenue	(5,842)

CONSOLIDATED FINANCIAL POSITION STATEMENT OF DISCONTINUED ACTIVITY — ASSETS

	End of the period 31/12/2013
Fixed assets	
Goodwill	-
Intangible assets	-
Tangible fixed assets	-
Investments in associates consolidated using the equity method	-
Investments in subsidiaries	-
Deferred income tax assets	-
Other fixed assets	-
	-
Current assets	
Inventories	-
Financial assets held for trading	-
Trade and other receivables	-
Income tax receivables	-
Other current assets	-
Other financial receivables	
Cash and cash equivalents	-
	-
Fixed assets classified as held for sale	-
Total assets	**-**

CONSOLIDATED FINANCIAL POSITION STATEMENT OF DISCONTINUED ACTIVITY — LIABILITIES

	End of the period 31/12/2013
Equity	
Share capital	-
Supplementary capital from share premium	-
Revaluation reserve	
Treasury shares	-
Reserve capital	-
Hedge valuation reserve and FX gains/losses due to consolidation	
Retained earnings	-
Total equity	**-**
Long-term liabilities	
Long-term loans	-
Provisions for deferred tax	-
Provisions for liabilities	
Long-term trade and other liabilities	-
Other financial liabilities	-
	-
Short-term liabilities	
Bank and other loans	-
Provisions for liabilities	-
Income tax liabilities	-
Trade and other liabilities	-
Other financial liabilities	-
	-
Liabilities related directly to fixed assets held for sale	-
Total liabilities	**-**

NOTE 30.
FINANCIAL INSTRUMENTS

1. Capital risk management

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

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

- bank loans – disclosed in Note 22;
- trade and other liabilities – disclosed in Notes 24, 25 and 26;
- cash and cash equivalents – disclosed in Note 19;

- equity, including shares issued, reserve capital and retained earnings – disclosed in Notes 20 and 10.

The Group also monitors balance of equity using a gearing ratio, which is calculated as the ratio of net debt to total equity plus net debt. Net debt includes interest-bearing loans and borrowings, trade payables and other payables less cash and cash equivalents. Equity includes equity attributable to shareholders of the parent undertaking less reserve capital concerning unrealized net gains.

The gearing ratio as at 31 December 2013 amounted to 36% and, respectively, as at 31 December 2012 — 33%.

2. Objectives of financial risk management

Principal financial instruments used by the Company include bank loans (Note 22), finance lease agreements (Note 26), and cash and deposits (Note 19). The main purposes of these instruments include raising funds for the Company operations, liquidity risk management and short-term investment of surplus liquid funds. The Company also uses other financial instruments, including trade receivables and liabilities (Notes 17, 18, 24 and 25) which, however, are directly related to its operations.

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

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

In the course of 2013 and 2012:

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

3. Material accounting principles

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

4. Categories and classes of financial instruments

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

(all amounts are presented in PLN thousand, unless specified otherwise)

	End of the period 31/12/2013	End of the period 31/12/2012
Financial assets		
Measured at fair value through profit and loss account	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	30,818	28,773
Financial assets available for sale	-	-
Financial liabilities		
Measured at fair value through profit and loss account	1,251	1,678
Derivatives in hedging relationships	-	-
Financial liabilities	132,450	121,459
Financial guarantee contracts	-	-

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

With regard to the own receivables category

	End of the period 31/12/2013	End of the period 31/12/2012
Receivables from related undertakings (Note 17)	119	122
Short-term receivables from other undertakings (Note 17)	29,117	24,073
Long-term receivables from other undertakings (Note 17)	0	0
Financial assets held for trading – loans granted (Note 14)	453	0
Cash and cash equivalents (Note 19)	1,129	4,578
Total	**30,818**	**28,773**

With regard to the financial liabilities category

	End of the period 31/12/2013	End of the period 31/12/2012
Liabilities arising from bank loans (Note 22)	61,644	45,283
Liabilities to related undertakings (Note 25)	3,508	3,558
Short-term liabilities to other undertakings (Note 25)	26,254	16,556
Long-term liabilities to other undertakings (Note 24)	19,444	27,036-
Liabilities arising from finance leases (Note 26)	22,846	30,704
Other financial liabilities (Note 26)	5	0
Total	**133,701**	**123,137**

(all amounts are presented in PLN thousand, unless specified otherwise)

5. Fair value of financial instruments

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

6. Credit risk

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

The Company is not exposed to significant credit risk related to a single counterparty or a group of similar counterparties.

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

As 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 31 December 2013, financial asset impairment write-downs came to PLN 667 thousand; at 31 December 2012, they amounted to PLN 500 thousand. As at 31 December 2012 and 31 December 2013, no financial asset items were present whose repayment terms had been renegotiated.

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

7. Foreign exchange risk

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

The Company has concluded forward hedging transactions.

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

	Trade liabilities		**Lease liabilities**		**Trade receivables**	
	31/12/2013	**31/12/2012**	**31/12/2013**	**31/12/2012**	**31/12/2013**	**31/12/2012**
Currency – EUR	108	154	223	692	515	
Currency – USD	97	513			251	36
Currency – JPY			141	1,471		
Currency – PLN	18,696	12,038	22,482	28,542	28,470	24,159
Total	**18,900**	**12,705**	**22,846**	**30,704**	**29,236**	**24,195**

If the exchange rate in relation to the exchange rate from the balance sheet valuation for EUR, USD and JPY had increased by 10%, with all other variables remaining at a constant level, the ATM S.A.'s net result for the twelve-month period ended on 31 December 2013 would have been higher by PLN 20 thousand, of which PLN 18 thousand would have been due to financial assets and liabilities denominated in EUR and PLN 15 thousand – due to financial assets and liabilities denominated in USD, and lower by PLN 14 thousand due to liabilities denominated in JPY.

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

8. Liquidity risk

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

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

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

NOTE 31.
FINANCIAL INSTRUMENTS AT FAIR VALUE

As at 31 December 2013, the Company held financial instruments carried at fair value in the statement of financial position. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 — other techniques for which all inputs which have a significant effect on the recognised fair value are included, either directly or indirectly

Level 3 — techniques which use inputs that have a significant effect on the recognised fair value that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

(all amounts are presented in PLN thousand, unless specified otherwise)

FINANCIAL INSTRUMENTS	31/12/2013		31/12/2012	
	carrying value	**fair value**	**carrying value**	**fair value**
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets held to maturity	-	-	-	-
Financial assets available for sale (at fair value)	-	-	-	-
Loans granted and own receivables	-	-	-	-
Financial liabilities at fair value through profit or loss	1251	1,251	-	1,678
Other financial liabilities	-	-	-	-

FAIR VALUE HIERARCHY

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	31/12/2013
Derivative financial instruments — IRS contract hedging the interest rate risk in respect of the investment loan	level 2	1,251
Total		1,251

The valuation of the IRS contract hedging the interest rate risk in respect of the investment loan was made based on information obtained from Bank Zachodni WBK S.A. (prepared using parameters that were considered optimal by the Bank).

During the period ended 31 December 2013 there were no transfers between Level 1 and Level 2 of the fair value hierarchy and no instrument was transferred to/from Level 3 of the fair value hierarchy.

NOTE 32.
SIGNIFICANT EVENTS IN THE REPORTING PERIOD

A significant event affecting the financial performance in 2013 was the sale of all the shares of mPay S.A. held by ATM. Following the performed transactions, ATM disclosed the following in the statement of income for 2013, as a result on discontinued activity:

At the individual level — net loss of PLN 15.7 million,

At the consolidated level — net loss of PLN 5.6 million.

These losses are not related to any expenditure of the Company in the past reporting period and have no impact on its financial condition. ATM's decision to withdraw from the investment in mPay S.A. was announced earlier in interim reports and the assets associated with this investment were presented in ATM's financial statements as assets held for sale. Consequently, the Issuer will definitely quit business activities related to mobile payments, which were carried out in the ATM Capital Group since 2006 by mPay

(all amounts are presented in PLN thousand, unless specified otherwise)

International Sp. z o.o. and mPay S.A. — the subsidiaries of the Issuer. From the beginning of 2014, ATM no longer forms a capital group.

NOTE 33.
EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, no events occurred that had a significant impact on the situation and financial performance of the Group.

NOTE 34.
DIFFERENCES IN COMPARISON TO PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

The entity adjusted a prior year error resulting from an omission in the recognition of a consolidation adjustment. In the “Consolidated statement of financial position” for 2012, the entity recognised an adjustment of accumulated previous years' losses from discontinued activity in the amount of PLN 4,200 thousand in the item “Liabilities related directly to fixed assets classified as held for sale” instead of “Retained earnings”.

As a result of a retrospective restatement of data the following items have changed:

	End of the period 31/12/2012 before the adjustment	End of the period 31/12/2012 after the adjustment
Equity		
Retained earnings	22,412	18,212
Total Group shareholders’ equity	**233,374**	**229,174**
Total shareholders’ equity	**235,625**	**231,425**
Liabilities related directly to fixed assets held for sale	(1,613)	2,587
Total liabilities	**359,168**	**359,168**

The adjustment did not affect the value of “Total liabilities” and did not apply to the result of the current period.

NOTE 35.
REMUNERATION FOR EXPERT AUDITORS OF THE PARENT UNDERTAKING

	End of the period 31/12/2013	End of the period 31/12/2012
Audit of the financial statements	32	39
Other certification services	20	24
Other services	-	-
	52	**63**

THE MANAGEMENT BOARD'S REPORT ON OPERATIONS OF THE ISSUER'S CAPITAL GROUP IN 2013

REVIEW OF KEY ECONOMIC AND FINANCIAL PARAMETERS

The results for 2013 as compared with the previous year show a significant improvement of financial results in all most important items of statement of total income, and in particular — at the level of gross profit and net profit on continuing operations, as presented in the following summary:

[selected financial data]	2013	2012	change %
Sales revenue (without OST 112)	131,038	124,366	+5%
- including data center services	*58,361*	*49,763*	+17%
Sales margin	76,989	74,569	+3%
Operating profit	26,323	24,952	+5%
EBITDA	46,264	44,389	+4%
Gross profit	17,948	15,125	+19%

DESCRIPTION OF MATERIAL RISK FACTORS AND THREATS

Risk associated with the economic situation in Poland and in the world

The Issuer's operation is not sensitive to changes in economic conditions.

Risk associated with the implementation of R&D works and investments

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

Risk associated with human resources

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

The Company's experiences show that the situation concerning staff in companies within the Group is stable, the employees and managers are engaged in the development of the company.

Risk associated with forecasts and planning

Risk related to forecasts and planning involves the danger that the forecasts underlying the investment decisions on the data center market fail to materialise as a result of changes in the economic or technological environment (e.g. the emergence of new technologies). Forecasts for the planned investments might be wrong, despite using legitimate assumptions in the forecasting process.

Risk associated with strong competition

In the ICT sector, the risk associated with the emergence of new competitors is high, mainly due to the attractiveness of the data center market in Poland and Europe (dynamic growth). The possible emergence of new major competitors (in particular international entities), in the future, may have a negative impact on the Company's financial results. Possible consolidation processes in the domestic market may also result in the decline in growth of the Company's financial parameters – this equally applies to the possible consolidation of supply and demand side of the market.

OTHER INFORMATION

1. Information concerning core products

Services provided by ATM S.A. include the following core categories:

- **Services of data centers (colocation).** The Issuer owns and, due to increasing demand, is continually developing properly equipped and protected rooms (data centers) where it provides colocation, i.e. renting adequately fitted space for telecommunications hardware, e.g. servers, together with uninterruptible power supply and telecommunications networks connection (data transmission and Internet access).
- **Data transmission and fiber optic services.** These are data transmission services provided in the entire territory of Poland, with very high transmission quality parameters. In Warsaw and seven other agglomerations, broadband data transmission services are provided with no bandwidth limitations via the Company's own fiber optic network. The company maintains points of interconnection with networks belonging to major intercity and international data carriers.
- **Internet access services.** This type of service consists in the configuration and supervision of broadband Internet lines for telecommunications providers, Internet and Application Service Providers, websites, media 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, Frankfurt, Amsterdam, London and Moscow as well as its own, distributed system of wholesale traffic exchange (Thinx IX).
- **Other, including telephone services (ISDN and VoIP).** The Issuer offers, among others, ISDN technology-based telephony, which is a comprehensive telecommunications solution based on dedicated digital connections compiled using fiber-optic or radio technology. Additionally, the company offer a solution that ensures a seamless transition from traditional phone services towards an entirely VoIP-based network. Voice over IP networks is a cost-effective alternative to traditional telephone services, since it allows to radically reduce the costs of calls while maintaining top quality.

The share of the main products as regards telecommunications services provided by ATM S.A. in total revenue in 2013 (excluding OST 112 contract):

- services of data centers (colocation and hosting) – 44% (40% in 2012),
- data transmission and fiber optic services – 38% (38% in 2012),
- Internet access services – 14% (17% in 2012).

The main product in the mobile payments segment, presented in this report as “discontinued activity” was a universal mobile payment system, implemented by mPay S.A. The most popular and widespread mPay services are payments via a mobile phone for car parking and public transport tickets.

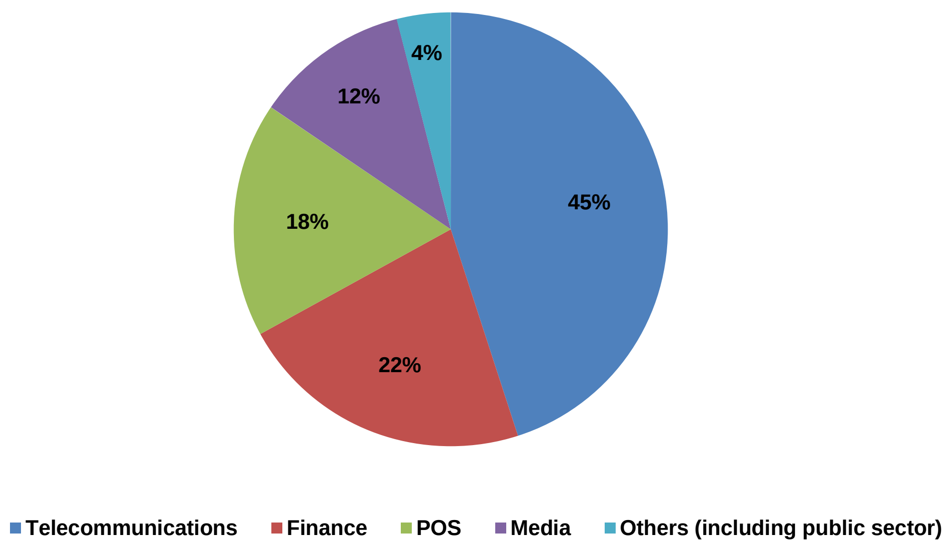
2. Information about markets, including the division into domestic and foreign markets, and information on sources of materials supply for production of goods and services, identifying the dependence on one or more recipients and providers

The main market for the products and services offered by ATM S.A. is Poland, and the company's customers stem from all regions of the country. The Group's services become more and more popular among foreign customers of the group (in particular data center services) — ATM records a steady increase in the number of foreign requests for proposals, resulting, among others, from ATM's advantage over foreign competitors in terms of service price/quality relation.

The most important customers of the Group operate in the following sectors:

- telecommunications (including cable TV providers),
- banking and finance (including insurance companies),
- industry, commerce and services (including power distribution undertaking),
- media and publishing (both traditional and electronic).

The Group's revenue structure in 2013, broken-down into sectors*:



**) excluding telecommunications revenue under the OST 112 project (public sector)*

As in previous years, the Company has a highly diversified portfolio of customers, which materially protects the interests of the Issuer. In 2013, the Issuer had only one client whose share in the total sales revenue exceeded 10%, namely the Ministry of the Interior and Administration. The sales to this client amounted to 23% of the Issuer's total revenue per unit (customer not related with the Issuer, sales concerning OST 112 project).

The supply structure includes a group of products connected with the provision of telecommunications services, in which purchases are made from domestic and international telecommunications operators.

At the same time, the Issuer states that in 2013 there was only one supplier whose share exceeded 10% of total sales revenue. Telekomunikacja Polska S.A. (currently Orange Polska S.A.) whose share was 14%, in 2013, was a service provider mainly in the framework of implementation of the OST 112 contract (a year ago, the share of this undertaking was 24%). No relations other than under commercial agreements exist between the Issuer and the aforementioned undertaking.

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

- On 17 April 2013, an agreement was concluded for the supply of servers, arrays and tape libraries for the Ministry of Defence between consortium Atende S.A. and ATM S.A., and the Armament Inspectorate. The leader of the consortium is Atende S.A. The contract value amounts to PLN 48.1 million. In the agreement, the Issuer is one of the contractors, in a consortium with the Atende S.A., which in the past (under the name ATM Systemy Informatyczne) was a part of the ATM Capital Group, but now is a company unrelated to ATM. ATM's participation in the consortium is a result of historical capital links and the need to meet the formal requirements set by the customer. In order to meet those requirements Atende needed ATM as a consortium member. The companies made the relevant arrangements in June 2012. The agreement in question has no impact on the financial performance of ATM. The entire revenue from this agreement will be generated by Atende and Atende will bear all the costs. In the consortium agreement, Atende also assumes all the risks, which may arise and affect ATM as a consortium member and undertakes to cover any possible claims filed by the customer. Future cooperation of ATM and Atende as a consortium is not envisaged. The contract covers the delivery of virtualization platforms for two locations of the Ministry of National Defense processing centers. as well as installation, implementation, maintenance and training services. The deadline for performance of the agreement in terms of the implementation was set at 31 October 2013. The Contractor will provide warranty service for 36 months. The agreement specifies penalties for the customer's withdrawal from the agreement due to circumstances for which the contractor is responsible in the amount of 10% of the gross value of the agreement and for failure to perform warranty obligations under the contract in a timely manner — in the amount of PLN 2,000 gross for each commenced day of delay. The provisions relating to contractual penalties do not preclude the customer's right to claim damages under the general rules of the Civil Code. The customer is entitled to a discount in the amount of 0.1% of the value of the supply (or service) which was not performed in time for each commenced day of delay, but not more than 10% of the supply (or service) value. The procedure was conducted as an open tender, in accordance with the provisions of the Act of 29 January 2004 – Public Procurement Law. The agreement is deemed significant because its value exceeds 10% of the Issuer's equity.

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

In 2013, the following changes occurred with respect to the ATM S.A. Capital Group:

- On 3 September 2013, bankruptcy proceedings regarding mPay International Sp. z o.o. in which the Issuer held a 60% stake came to an end — (in the course of the proceedings the entire bankruptcy estate was identified and liquidated). The company did not conduct any operating activities, and its shares in mPay S.A. were acquired by the Issuer. Since 2012, the company has been recognised in the financial statements of ATM as discontinued activity.
- On 6 November 2013, agreements concerning the sale of shares in mPay S.A. owned by the Issuer were signed with industry investors. Thus, the process of searching for a buyer of mPay S.A. shares was completed and the Issuer definitely withdrew from operations related to mobile payments, which had been conducted in the ATM Capital Group since 2006 by the Issuer's subsidiaries: mPay International Sp. z o.o. and mPay S.A. The results of mPay S.A. are presented — starting with a report for the first half of 2013 — as discontinued operations, due to the Issuer's Management Board's decision to sell the shares held by ATM in mPay S.A.

As a consequence of the changes described above, as at the date of this report, ATM S.A. does not have any subsidiaries. Thus, there are no more formal reasons for the existence of a capital group. Starting with an interim report for the first quarter of 2014, the Issuer will no longer prepare consolidated financial statements.

On the day of publication of the annual report, the Issuer held shares representing 21.27% of the share capital of Linx Telecommunications B.V. (investment made in 2007). The results of this entity, as an associated company, are not consolidated at the operating level — the consolidation is carried out using the equity method.

5. Information on the conclusion by the Issuer or its subsidiary of one or more transactions with related undertakings, if separately or jointly they are significant and were concluded under non-market conditions

During the reporting period, neither the Issuer nor any of the Issuer's subsidiaries concluded material transactions on conditions other than arm's length conditions with related undertakings, neither individually nor jointly.

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

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

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

In the period covered by this report, the Issuer did not grant any loans to related undertakings.

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

	End of the period 31/12/2013	End of the period 31/12/2012
To related undertakings:	-	-
To other undertakings:		
1. Bank guarantees received:		
- performance bonds and tender bonds	6,598	7,423
2. Collateral pledge	8,339	-
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing		
- bank loan securities	42,000	42,000
	56,937	**49,423**

The companies of the Issuer's Capital Group did not grant or receive any bonds directly. However, at the request of the Issuer, banks issue bonds for the Issuer's clients. They are tender bonds and performance bonds.

As at 31 December 2013, tender bonds and performance bonds included guarantees granted by BRE Bank S.A. – amounting to PLN 2,261 thousand, by Bank Millennium S.A. – amounting to PLN 1,964 thousand, by Bank DnB NORD Polska S.A. – amounting to PLN 2,232 thousand, and by Bank BZ WBK S.A. – amounting to PLN 140 thousand.

Furthermore, in connection with the extended investment loan and borrowings, a registered pledge on a group of fixed assets in the amount of PLN 3,493 thousand (investment loan) was established for Bank Millennium S.A. and a registered pledge on a group of fixed assets in the amount of PLN 4,846 thousand was established (borrowings) for BZ WBK Leasing S.A.

The company also had promissory note securing an investment loan in BZ WBK investment of PLN 42,000 thousand.

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

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

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

The Company did not make the 2013 forecasts public.

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

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

12. Assessment of ability to fulfil investment plans

One of the Issuer's most important investment plans is the development of infrastructure necessary for services based on data centers. In this area, the Issuer plans two important investment projects, i.e. systematic equipping and commissioning of consecutive stages of Thinx Poland data center and expanding the ATMAN data center, which at the same time is the most extensive project in the history of the Issuer's activity. As part of the expansion of CD Atman in 2014, ATM plans to start operating a new colocation space in F4 building and begin the construction of F5 building (completion is scheduled for the first half of 2015).

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

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

Additionally, in December 2013, the construction of an office building on the ATMAN Data Center campus was commenced. It is intended, among others, for rent to companies (especially those operating in the field of modern technologies) and for Disaster Recovery Centers. Construction is scheduled to be completed in the last quarter of 2014. The investment is a part of the ATM Innovation Center project, supported by public funding under Measure 4.5 of the Innovative Economy Operational Programme 2007-2013.

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

The Issuer does not expected any material investments other than those discussed above in the near future.

13. Assessment of factors and unusual circumstances which materially affected financial results for 2013

A significant unusual factor affecting the financial performance in 2013 was the sale of all the shares of mPay S.A. held by ATM. As a result of the performed transactions, ATM disclosed the following in the statement of income for 2013 years, as a result on discontinued activity:

At the individual level — net loss of PLN 15.7 million,

At the consolidated level — net loss of PLN 5.6 million.

These losses are not related to any expenditure of the Company in the past reporting period and have no impact on its financial condition. ATM's decision to withdraw from the investment in mPay S.A. was announced earlier in interim reports and the assets associated with this investment were presented in ATM's financial statements as assets held for sale. Consequently, the Issuer will definitely quit business activities related to mobile payments, which were carried out in the ATM Capital Group since 2006 by mPay International Sp. z o.o. and mPay S.A. — the subsidiaries of the Issuer. From the beginning of 2014, ATM no longer forms a capital group.

14. Description of external and internal factors important for the development of the undertakings within the Issuer's Capital Group and development prospects until the end of 2014

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

The main factors that — in the opinion of the Issuer — should stimulate the demand for its services in the next few years include:

- digitization of companies — increasing demand for data computing power and storage space,
- advances in telecommunications — the new generation network (LTE), the dynamically growing number of mobile devices used to send increasing amounts of data (content delivery),
- increasing popularity of services generating large volumes of data: video transmission, social media, online games, e-commerce,

- tangible benefits of locating own equipment in close proximity of equipment and connection lines of business partners and customers — such possibilities are offered only by data centers, concentrating wide range of stakeholders from different sectors,
- dynamic development of the market of financial services, in which e-commerce and the need to handle large volumes of transactions per unit of time are becoming more and more important,
- progressive digitalisation of the public sector (e.g. health care),
- IT outsourcing — increased willingness to place own data processing equipment at the premises of specialised providers of data center services, rather than building own server facilities (cost — economies of scale, quality and reliability of services — know-how),
- cloud computing — transfer of a part of data processing to companies offering cloud computing which also operate based on the infrastructure offered by specialised data center providers.

In view of the above, the Issuer implements the adopted strategy and continues its investments by preparing further modules of Thinx Poland data center for sale and executing a project of construction of ATM Innovation Center. The implementation of these investments and maintaining the pace of sales will strengthen ATM's leading position on the national data center market and will bring a notable result in the increase of revenue and profits in the next financial periods.

In terms of the conducted investments, ATM plans to put into operation new buildings within ATMAN Data Center and Thinx Poland, with a total net area of approx. 4,000 square metres which, together with the currently available space, sums up to approx. 6,000 square metres of potential colocation space that will generate revenue for the Company in the future.

According to the Issuer's estimates, the commercialisation of the aforementioned space should translate into about additional PLN 55 million of annual EBITDA, which would mean that ATM's value would increase more than twofold.

15. Changes in basic management principles of the Issuer's Capital Group

In 2013, no changes occurred in basic management principles of the Issuer's Capital Group.

16. Changes in the composition of managing and supervisory bodies of the companies in the Issuer's Capital Group in 2013

On 8 March 2013, Roman Szwed resigned from serving on the Supervisory Board of ATM S.A., and on 8 April 2013, the Extraordinary General Meeting of the Shareholders of ATM S.A. appointed Marcin Wysocki to the Supervisory Board.

On 11 March 2013, Roman Szwed resigned from his function on the Supervisory Board of mPay S.A., with effect as of the next General Meeting (4 April 2013). On 18 April 2013, the Ordinary General Meeting of mPay S.A. appointed Tomasz Tuchołka as a member of the Supervisory Board.

On 27 June 2013, Maciej Klepacki resigned from his function on the Supervisory Board of mPay S.A.

On 25 September 2013, the Extraordinary General Meeting of mPay S.A. appointed Mateusz Boguta as a member of the Supervisory Board.

On 10 October 2013, the Supervisory Board of mPay S.A. dismissed Piotr Warsicki from the position of the President of the Management Board and appointed Andrzej Okoń to perform this function.

On 20 November 2013, Tadeusz Czichon, Tomasz Tuchołka, Mateusz Boguta, Antoni Chalimoniuk and Piotr Puteczny resigned from their position of members of the Supervisory Board of mPay S.A. with effect as of the date of the next General Meeting of the company (9 January 2014).

On 9 December 2013, the Supervisory Board of mPay S.A. dismissed Andrzej Okoń from the position of the President of the Management Board and appointed Jacek Bykowski to perform this function (effective as of 10 December 2013).

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

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

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

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

In 2013, total remuneration paid to each member of the Issuer's management and supervisory bodies was as follows:

Management Board of ATM S.A.:

Maciej Krzyżanowski*	PLN 1,141,050
Tadeusz Czichon*	PLN 1,118,550

Supervisory Board of ATM S.A.:

Roman Szwed (until 8 March 2013)	PLN 16,997
Sławomir Kamiński	PLN 77,475
Tomasz Tuchołka	PLN 44,491
Grzegorz Domagała	PLN 44,491
Mirosław Panek	PLN 44,491
Roman Szwed (from 8 April 2013)	PLN 31,744

**) the remuneration is paid pursuant to a company management contract*

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

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

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

Name and surname	Position	Number of shares	Face value
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	Vice-President of the Management Board	9,119,040	8,663,088
Maciej Krzyżanowski	President of the Management Board	58,608	55,678
Anna Bugajska	Holder of a commercial power of attorney	56,600	53,770

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Vice-President of the Management Board of ATM S.A.*

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

Shareholder	Number of shares	%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	9,119,040	25.09
ING OFE**	3,571,486	9.83
PKO BP Bankowy OFE**	2,773,291	7.63
Piotr Puteczny***	2,243,066	6.17
ALTUS TFI****	1,828,065	5.03

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Vice-President of the Management Board of ATM S.A.*

***) number of shares as at 30 December 2013 based on the "Annual asset structure"*

****) jointly with his spouse*

*****) number of shares pursuant to a notification received on 17 December 2012*

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

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

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

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

23. Information concerning control system of the employee share programme

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

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

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

The only restrictions as to the transfer of ownership title to the Issuer's securities concern shares purchased under the Incentive Scheme for the employees of ATM S.A. Capital Group for the period 2008–2010.

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

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

25. Purchase of treasury shares

The Issuer did not purchase treasury shares in the reporting period.

26. Information concerning the entity entitled to audit financial statements

On 27 June and 2013, the Issuer concluded audit contracts with the entity entitled to audit financial statements – PKF Audyt Sp. z o.o.

The subject of these contracts covers:

- the audit of separate and consolidated financial statements for the period from 1 January to 30 June 2013 (due date of the service is 29 August 2013);
- the audit of separate and consolidated financial statements for the period from 1 January to 31 December 2013 (due date of the service is 19 March 2014).

Remuneration under the contract for the audit of separate and consolidated financial statements for the period from 1 January to 30 June 2013 amounted to PLN 19,500 net.

Remuneration under the contract for the audit of separate and consolidated financial statements for the period from 1 January to 31 December 2013 amounted to PLN 32,500 net.

In 2012, the remuneration amounted to:

- PLN 24,500 net for the audit of separate and consolidated financial statements for the period from 1 January to 30 June 2012;
- PLN 38,500 net for the audit of separate and consolidated financial statements for the period from 1 January to 31 December 2012.

INFORMATION SPECIFIED IN § 92(3) OF THE REGULATION OF THE MINISTER OF FINANCE

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

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

Balance sheet

	End of the period 31/12/2013	% of total assets	End of the period 31/12/2012	% of total assets
Fixed assets	332,564	89.6%	321,327	89.5%
Current assets	38,770	10.4%	35,253	9.8%
Total assets	371,334	100.00%	359,169	100.00%
Equity	236,104	63.6%	231,425	64.4%
Long-term liabilities	67,795	18.3%	77,654	21.6%
Short-term liabilities	67,435	18.2%	47,501	13.2%
Total liabilities	371,334	100.00%	359,169	100.00%

Selected financial ratios:

		2013	2012
1.	**Return on sales** $\frac{\text{Gross result on sales x 100\%}}{\text{net sales revenue}}$	31.7%	29.5%
2.	**Return on Equity (ROE)** $\frac{\text{net result x 100\%}}{\text{average balance of equity}}$	5.0%	4.4%
3.	**Receivables turnover** $\frac{\text{average balance of trade receivables} \times \text{365 days}}{\text{net sales revenue}}$	57 days	113 days
4.	**Debt ratio** $\frac{\text{liabilities and provisions for liabilities x 100\%}}{\text{total assets}}$	36.4%	34.8%
5.	**Current liquidity ratio** $\frac{\text{current assets}}{\text{short-term liabilities}}$	0.6	0.7

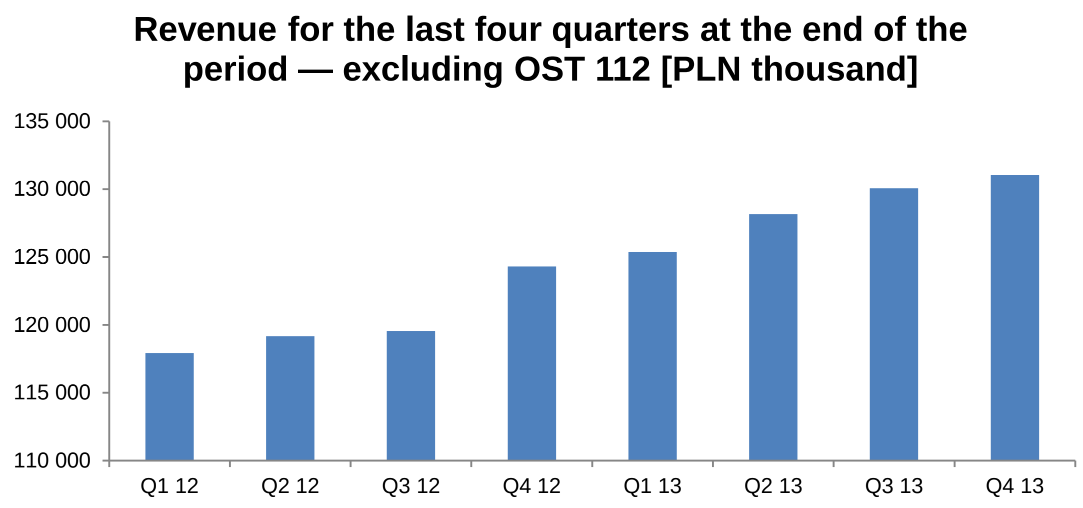
2. Major events which influenced the activity and financial results of the Issuer's Capital Group

Financial and operational results

In 2013, ATM once again generated record financial results. All major items in the statement of income were improved as compared with 2012. Sales revenues reached PLN 131 million (excluding sales revenues from the OST 112 contract), sales margin — PLN 77 million, operating profit — PLN 26 million, while EBITDA — PLN 46 million. The increase in the aforementioned operating results was at the level of 3-5%, which following a significant decrease in financial expenses resulted in significant improvement of the gross profit (by 33% y/y to PLN 20.3 million) and net profit from continuing operations (by 43% y/y to PLN 19.8 million). Fixed costs remained at a similar level year on year (a slight increase by 1.3%), while a significant reduction in financial expenses was caused, among others, by the fact that in 2012 these expenses were raised on a one-off basis by the valuation of the IRS (nearly PLN 1.7 million in the fourth quarter of 2012; in 2013, the corresponding expenses totalled nearly PLN 0.3 million). Profitability ratios were maintained at a similar level or improved compared to those of 2012. The share of subscription revenues in the total revenues of the Issuer was maintained in 2013 at a high level (approximately 88%), thus ensuring the stability of cash flows for future periods.

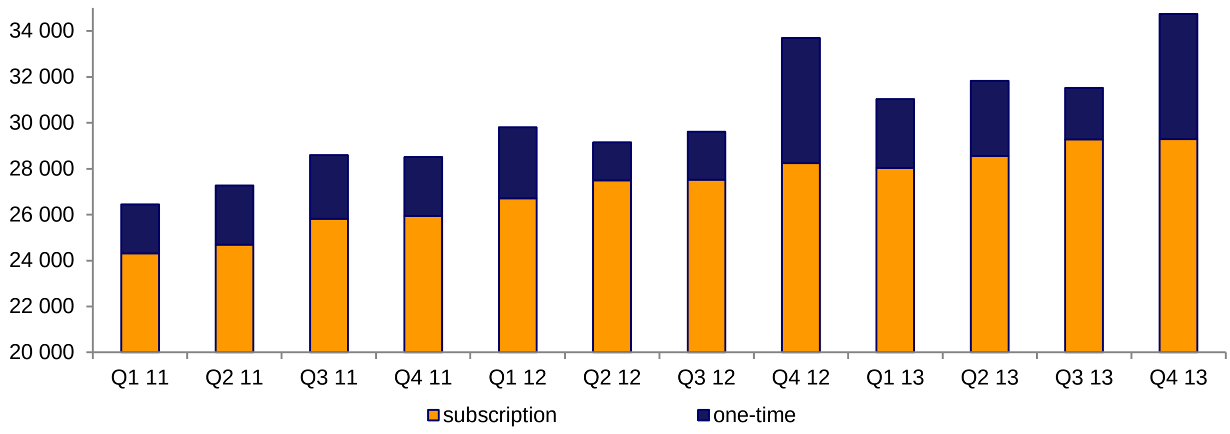
The operating results of the fourth quarter of 2013 were also the best in the history of ATM — sales revenues amounted to more than PLN 35 million (3% increase compared to the fourth quarter of 2012, the strongest to date). Sales margin (PLN 20.5 million), operating profit (PLN 7.5 million) and EBITDA (PLN 12.9 million), in turn, were slightly lower than in the same period of 2012, which does not change the fact that they included second highest values in the history of the Issuer (significantly higher than in the third quarter of 2013). Higher fixed costs (+ 6% y/y) resulted, among others, from the increase in depreciation. The significant reduction in financial expenses in the last quarter of 2013 described above (compared to the fourth quarter of 2012) contributed to the record quarterly gross profit (PLN 5.9 million) and net income on continuing operations (PLN 6.1 million).[1]

The following charts show the upward trend in quarterly revenues of the Issuer and continuing stable, and significant profitability of the Company:

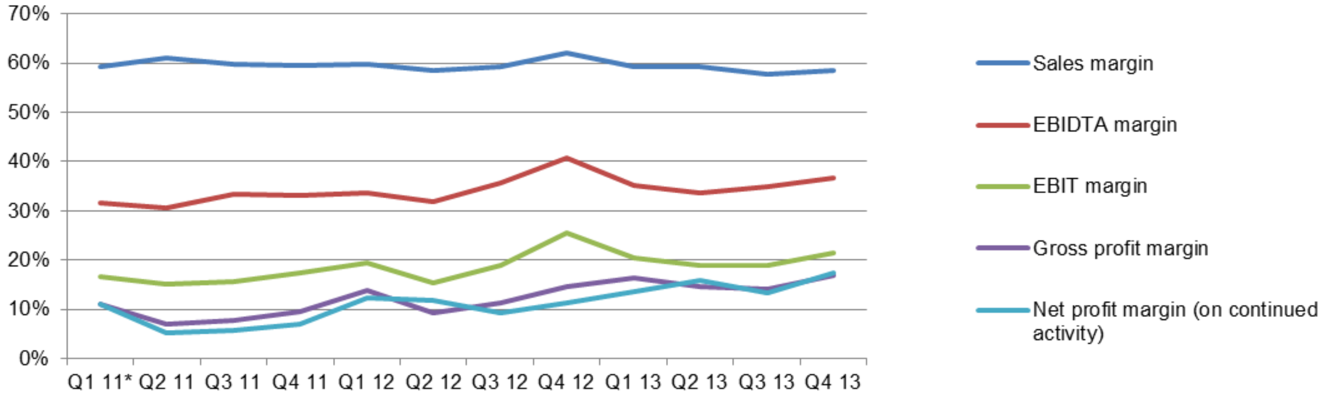


[1]For the sake of comparability of the data, the one-time gain on financial transactions generated by ATM through the sale of inONE S.A. was eliminated from the results for the first quarter of 2011.

Revenue structure – excluding OST 112 [PLN thousand]



Profitability of ATM in subsequent periods – excluding OST 112



* For the sake of comparability of the data, the one-time gain on financial transactions generated by ATM through the sale of inONE S.A. was eliminated from the results for the first quarter of 2011.

The final results of the Issuer in 2013 were significantly affected by the sale of all the shares held by ATM in its subsidiary mPay S.A. finalised in November last year (the Company informed the public about this event and its estimated consequences for the financial results in the interim report for the third quarter of 2013). Following the performed transactions, ATM disclosed the following in the statement of income for 2013, as a result on discontinued operations:

At the individual level — net loss of PLN 15.7 million,

At the consolidated level — net loss of PLN 5.6 million.

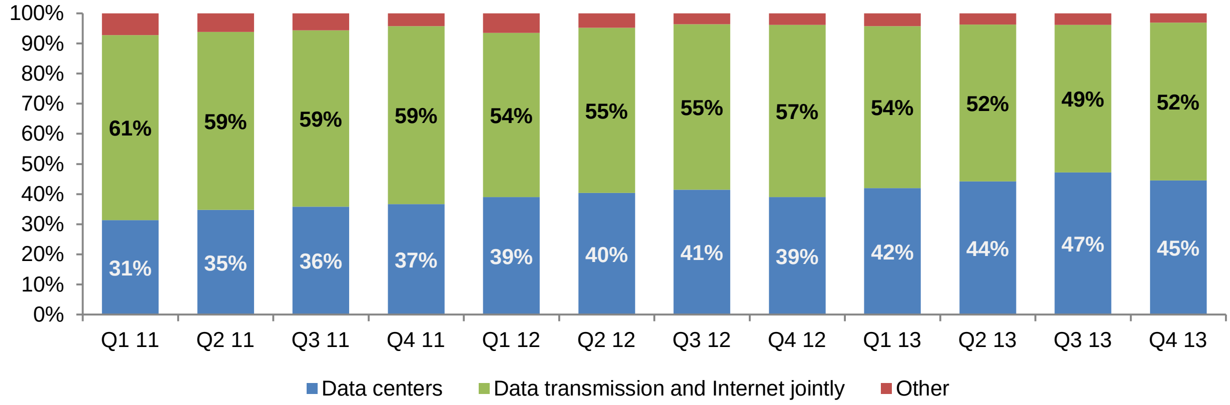
These losses are not related to any expenditure of the Company in the past reporting period and have no impact on its financial condition. ATM's decision to withdraw from the investment in mPay S.A. was announced earlier in interim reports and the assets associated with this investment were presented in ATM's financial statements as assets held for sale. Consequently, the Issuer will definitely quit business activities related to mobile payments, which were carried out in the ATM Capital Group since 2006 by mPay International Sp. z o.o. and mPay S.A. — the subsidiaries of the Issuer. From the beginning of 2014, ATM no longer forms a capital group.

As a result of demonstrating the result on sale of mPay S.A. as discontinued operations, as described above, separate and consolidated statements of income contain similar values in most of the items (up to "Operating profit"). Whereas a difference is visible in the case of the result on financial activity — in the consolidated financial statements, additionally, the Issuer's share in the profit or loss of the associated company, Linx Telecommunications BV, is presented. In 2013, a loss of PLN 2.6 million was recognized (PLN 0.2 million in 2012), which respectively decreased the consolidated gross profit and consolidated net profit on continuing operations.

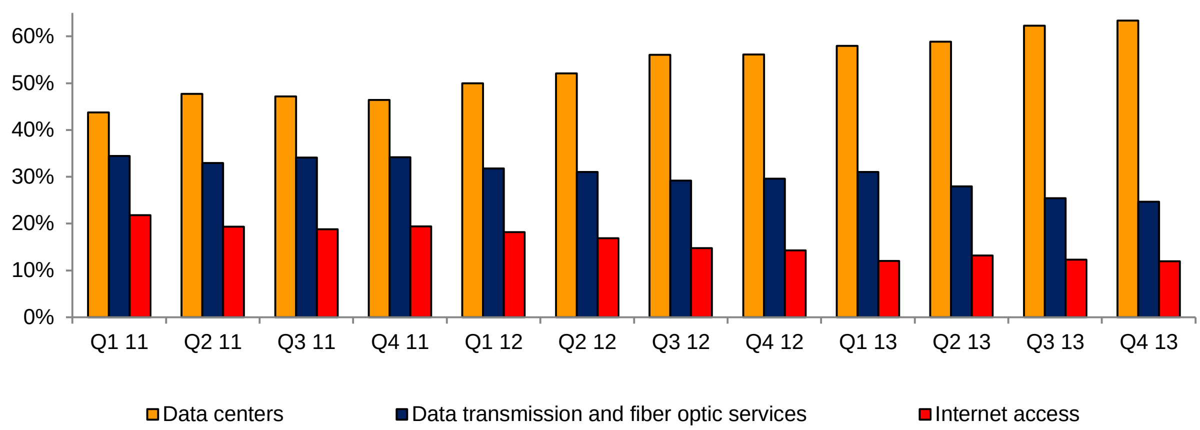
The healthy structure of the Issuer's balance sheet (net debt/EBITDA ratio stood at 1.8 at the end of 2013) and strong cash flows generated from operating activities (close to PLN 40 million) are also worth mentioning.

An increase by a few percent in the Company's operating results in the entire year 2013 should be viewed as moderately satisfactory, bearing in mind the ongoing process at ATM of consistently increasing the share of rapidly growing revenues from data center services, at the expense of transmission and Internet access services which show a stabilizing/declining trend. Detailed discussion of the results and trends in the basic categories of services referred to above is presented in the next section, while their shares in total revenues and margins of ATM are shown in the following graphs:

The share of each category of services in total revenues — excluding OST 112



Share of the margin on subscription services by service category

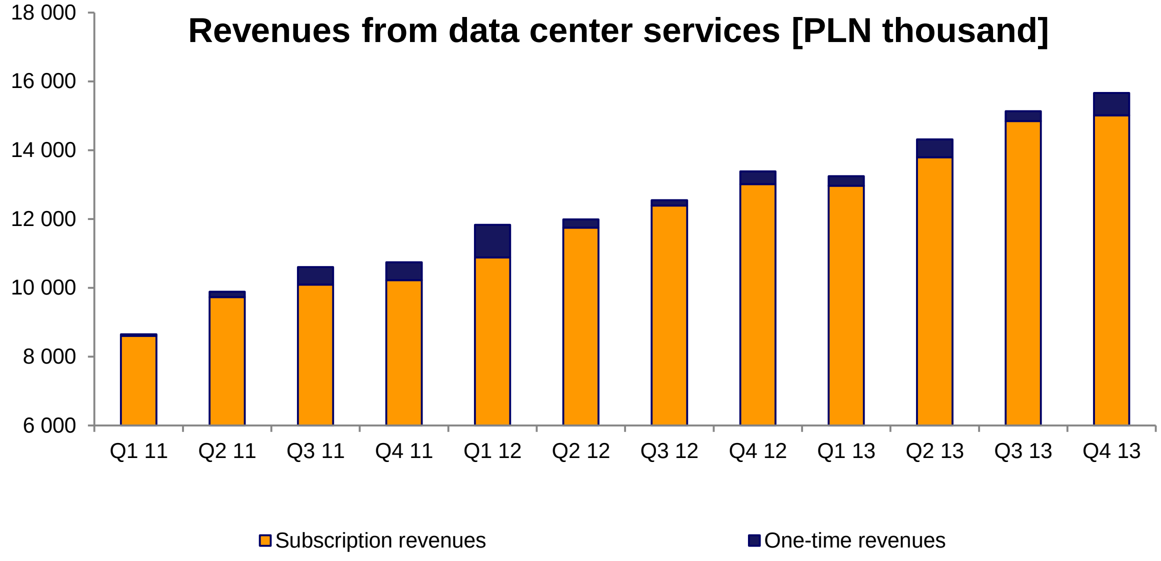


Results in individual service categories

The Issuer generates a vast majority of sales revenue in the three main categories of services:

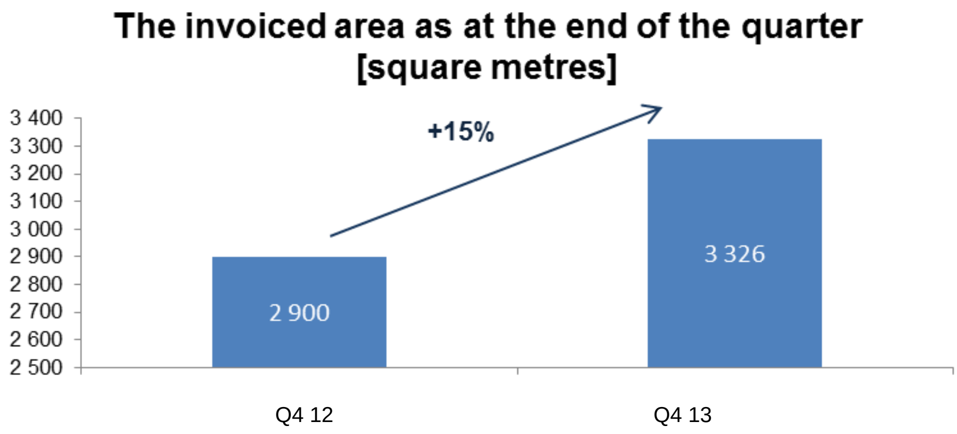
- Data center services (colocation) — provided in respect of appropriately equipped space and ICT equipment owned by the customer (e.g. servers) together with guaranteed power supply and the necessary telecommunication connections. In addition, this category includes revenue from the lease of dedicated servers.
- Data transmission and fiber optic services — provided on the basis of the available fiber optic broadband data transmission services and leased telecommunication lines.
- Internet access services — access to the Internet for telecommunications providers, Internet and Application Service Providers (ISP/ASP), websites, media and corporate customers.

The largest share in the Issuer's revenues and margin in 2013 belongs to data center services — they generated over PLN 58 million in sales revenue (of which PLN 15.7 million in the fourth quarter). This result represents annual growth of over 17%; taking into account only subscription revenue, this growth rate amounted to almost 18% y/y. The share of subscriptions in total colocation revenues amounted to as much as 97% in 2013 (as in 2012). The margin on subscription sales of colocation services in the last quarter of 2013 accounted for 63.5% of the total subscription margin of ATM (over 60% in the entire 2013). Quarterly revenue from data center services in the period 2011-2013 are presented in the graph below:



The dynamic growth of the colocation segment of the Issuer's operations in 2013 is attributable primarily to a very good pace of selling services in the first half of last year, the effects of which — in the form of the posted sales of services — have become fully visible in the third quarter of 2013. In the second half of the year, the commercialization of space available in data centers of the Company proceeded more slowly, and additionally, as a result of the consolidation processes, the scope of services provided for one of the big customers has significantly decreased. The annual increase in the invoiced spaces in ATM's data centers is presented in the graph below:[2]

[2] Beginning with the report for the first half of 2013, the method of calculating the surface area available for sale and the invoiced area has been modified — the values indicated in earlier periods are not comparable.



Towards the end of 2013, the Issuer conducted advanced negotiations, whose successful completion in the first quarter of this year resulted in the signing of a long-term lease agreement for approximately 250 square metres of colocation space with one of the major operators in the financial industry. This contract will start generating revenues for ATM at the turn of the second and third quarter of 2014 years and constitutes a very solid base for further growth of colocation revenues for the Company.

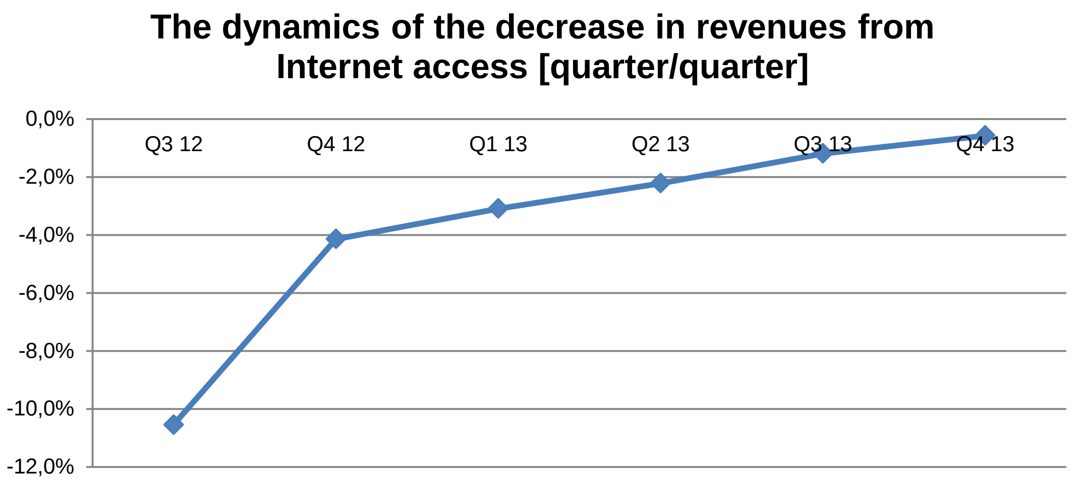
When discussing the results of data center services, it is worth mentioning a very rapidly growing segment thereof — the lease of dedicated ATMAN EcoSerwer servers. Throughout the 2013, the relevant revenue increased by over 190% — from PLN 1.3 million to PLN 3.8 million.

In the past year, the majority of construction works relating to the new building (F4) on ATMAN Data Center campus were completed. The opening of the building with a net area of approximately 1,000 square metres is planned for the first half of this year. This year, also the construction of another CD Atman building – F5 is planned (approximately 1,400 square metres of net colocation space), whose completion is scheduled for the first half of 2015. Both investment projects referred to above are implemented as a part of the ATM Innovation Center project, supported by public funding and will allow the Issuer in the near future to strengthen its leading position on the domestic data center market.

Evidence of the recognition of the quality of ATM solutions with regard to data centers was the nomination for the prestigious “Best Data Center” award in the third quarter of 2013 in the competition Capacity Global Carrier Award 2013 organized by the British Capacity Magazine. The competition attracts the largest global players in the telecommunications market, and last year’s nominees included: Deutsche Telekom, Level 3, Colt and Interoute.

In 2013, the second major category of ATM services – data transmission and fiber optic services – generated approximately PLN 49.5 million in sales revenue, which translated to an increase y/y by almost 4%. Despite the very good result generated in the fourth quarter of last year – PLN 13.9 million in revenue – the record performance in the history of ATM of the last quarter of 2012 (PLN 14.7 million) remains unmatched.

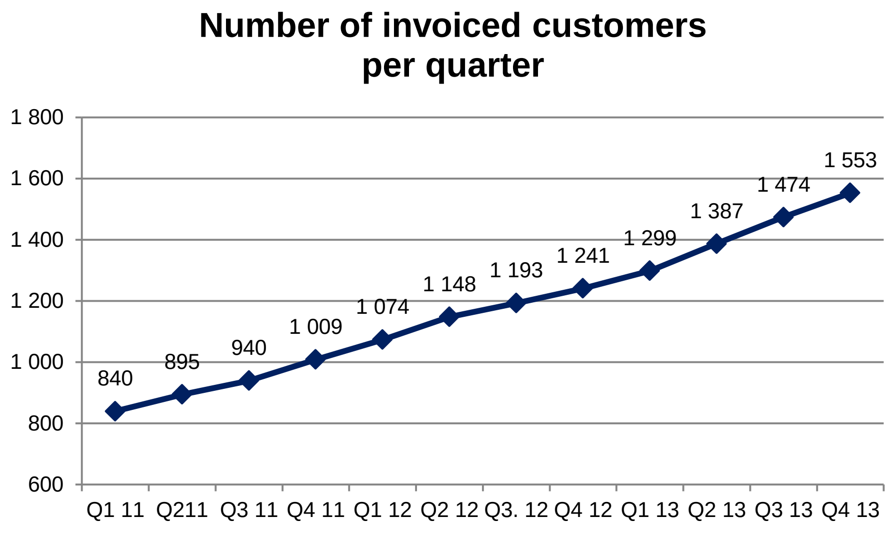
In terms of the Internet access, the Issuer, in accordance with market trends, notes further declines in revenues. Throughout 2013, the relevant revenue amounted to PLN 18.3 million (a decrease by 14% y/y), whereas in the fourth quarter of 2013 — PLN 4.5 million (a decrease by 7% y/y). It should be noted, however, that the rate of decreases is slower from quarter to quarter (-10.5% for Q3/Q2 2012 to -0.5% for Q4/Q3 2013), which is clearly visible in the graph below.



The reasons for this positive phenomenon should be seen in the consistently increasing interest in the ATM's offer of smaller entities, which enable more effective mitigation of the negative effect of falling individual prices and smaller revenues from larger customers. Throughout 2013, the Issuer recorded an 18-percent growth in the number of customers using the Internet access services. The share of margin on sales of the Internet access services in the total subscription margin of the Company, throughout 2013, reached only 13% (compared to 17% in 2012).

The sales of data transmission and Internet access services to smaller entities is possible thanks to the consistent expansion of the Issuer's fiber-optic network. The expanding network coverage translated to a growing number of business locations (mainly office buildings) connected to the network, in line with the Company's strategy, as presented in 2013. In 2013, the number of business locations in ATM's fiber optic network rose by over 40%. In the longer term, this trend should continue, allowing ATM to generate higher revenues from business customers (other than operators).

The Issuer steadily increases the number of its clients (+25% y/y at the end of 2013), as illustrated by the graph below:



At the same time, the industrial structure of ATM's business partners remains stable, among whom the largest share of revenues is still generated by telecommunications and finance companies (67% in 2013 vs. 70% in 2012, excluding the revenue from the OST 112 contract).

Highlights

In 2013, the Issuer significantly expanded cooperation with representatives of the following sectors:

- IT integrators

  The Company continues to vigorously develop cooperation with IT integrators, deriving sizeable benefits from the transfer of integrator services to an independent entity in 2012. In line with the current market trends, the transfer of systems and applications to cloud computing generates an increased demand for data centers, as well as for highly available, high-speed transmission lines. For the system and application integrators who provide services in cloud computing, and for other companies operating on the IT market, IT ATM – as an experienced operator with a vast own ICT infrastructure – is an attractive business partner. In the past year, ATM's offer dedicated to integrators was embraced by numerous Polish IT companies, which is confirmed by new contracts concluded with the existing customers, such as: 4sync Solutions, S&T Services Polska, Software Mind and Altacom. Additional services have also been ordered by entities operating on the European market, NextiraOne Polska and Capgemini Polska. ATM's new customers include: MCX Serwis, the French Wister and the Polish branch of Affecto, an integrator focused on the northern European market.

- Private medical institutions

  The matching of ATM's infrastructure and offer to the telecommunication needs of healthcare industry companies was appreciated in the past year by further entities in this sector, such as Promedica Care Sp. z o.o. and Centrum Medyczne ENEL-MED.

- Financial and insurance institutions

  High level of safety of the systems at ATM's colocation facilities was also appreciated by the financial and insurance industry — the most demanding industry when it comes to reliability and security of data center services. For many years now, the Company has been recommended by major banks and financial institutions. In the past year, the group was also joined by ICP Polska — Europe's largest consumer payments acceptance network and the Polish branch of a French provider of financial services to retail chains. The financial clients who have extended the colocation and broadband services provided to them by the Issuer included also X-Trade Brokers and Open Finance TFI, as well as companies from the major banking groups operating in Poland.

- Transport, forwarding, logistics (TFL)

  At the end of 2013, the Company entered into long-term contracts with large companies from the TFL sector. With the growth of the market of forwarding, courier and logistics services, the amount of data that contains detailed information about the transferred goods also increases, which in turn generates the need for their safe storage and archiving. The professional and secure ATM data centers serve this purpose. Fast and reliable connections in the ATMAN network facilitate the functioning and management of operating systems concerning enquiries and supplies. To the companies from the TFL sector that have multiple geographically dispersed branches, ATM provides the ability to connect all branches by an extensive network, which enables effective management of telecommunications resources of the company reduce operating costs. Single access connection may be used for data transmission, telecommunication services as well as safe, encrypted connections between branch offices.The following companies already use the services offered in ATM's CD ATMAN and CD Thinx Poland data centers: Yusen Logistics (Polska) Sp. z o.o., Siódemka S.A. and Butter Sp. z o.o., as well as the Polish branch of DPD — one of the leading, global suppliers of courier services.

The concluded contracts are mostly long-term contracts, which guarantees stable revenues for the Issuer in subsequent periods.

An important event in the third quarter of 2013 was the beginning of ATM cooperation with one of the leading Russian core network operators — RETN. The companies are collaborating in the field of commercial colocation services, data transmission and exchange of IP traffic. In addition, RETN provided to ATM direct connection to the largest traffic exchange node in Moscow and launched a new, inter-operator network in the Thinx Poland Data Center in Warsaw owned by the Issuer. Operations described above constitute another step of the Company in the direction of business development in Eastern Europe. The agreement with RETN enhanced ATM's prospects in respect of the acquisition of new customers in the Russian market and providing them with first-class colocation services through the Issuer's three modern data centers in Poland, as well as services in the ATMAN fiber-optic network, which includes metropolitan networks in eight major Polish cities. The cooperation is also beneficial for the Company's customers from Western Europe, as they will gain even better communication with the East.

Earlier, in the first half of 2013, ATM announced the signing of a partnership agreement on the services of ATMAN EcoSerwer with Host Park Group — an Ukrainian provider of colocation and hosting services.

The Issuer observes a growing interest in its services from customers domiciled outside of Poland, which particularly applies to the offer of data centers. The Issuer records a steady increase in the number of foreign requests for proposals, resulting both from the ATM's advantage over foreign competitors in terms of service price/quality relation, as well as from the increasing scale of marketing activities aimed at foreign markets.

3. Structure of major capital investments within the Issuer's Capital Group

As at 31 December 2013, **ATM S.A.** held:

- in Linx Telecommunications B.V.: 2,754,612 shares with the total value of EUR 27,546.12, which constitutes 21.27% of the share capital and entitles to 21.27% votes at the General Meeting of the Company's Shareholders,

  The Issuer places available funds in short-term cash deposits and secure debt securities with short maturity.

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

On the day of publication of the annual report, the Issuer held shares representing 21.27% of the share capital of Linx Telecommunications B.V. (investment made in 2007). The results of this entity, as an associated company, are not consolidated at the operating level — the consolidation is carried out using the equity method.

Description of capital changes has been provided in item 4 of "Other information" in the Management Board's report on the Issuer's Capital Group's operations.

5. Description of the policy concerning development lines of the Issuer's Capital Group

With regard to telecommunications services, the Company still has high potential to increase revenue and generate profits, owing to its good investment policy. The demand for broadband data transmission and data center services should increase, which demonstrates the opportunities for a stable growth of this segment of activity. Extremely good highlights concern the increase in demand for colocation services (data center services), due to the changes in technology of using software and the fact that outsourcing of ICT resources gains an increased popularity among companies. Therefore, the Issuer shall continue to make necessary investments by preparing new modules of Thinx Poland Data Center for sale and constructing new facilities under ATM Innovation Center project. The implementation of these investments shall bring a notable result in the increase of revenue and profits in the next financial periods.

It is also expected that the demand for high bandwidth networks, in particular fiber-optic networks, will grow owing to two factors: construction of a next generation LTE (Long Term Evolution) network by mobile providers and ubiquitous video transmission in telecommunications services. Certainly, it will have a positive impact on increased sales of services based on the existing optical infrastructure which is becoming indispensable for telecommunications providers in the provision of the services mentioned.

More information on the current market situation of the Issuer and its position on the market and further prospects for growth is made available in the "ATM S.A. Strategy for 2013-2014" which was published at the Issuer's website (www.atm.com.pl) in Investor tab -> Company Info.

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

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

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

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	**Position/function**	**Date**	**Signature**
Maciej Krzyżanowski	President of the Management Board	20 March 2014	....
Tadeusz Czichon	Vice-President of the Management Board	20 March 2014	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	20 March 2014	....

STATEMENT OF THE MANAGEMENT BOARD

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

Warsaw, 20 March 2014

Name and surname	Position/function	Date	Signature
Maciej Krzyżanowski	President of the Management Board	20 March 2014	....
Tadeusz Czichon	Vice-President of the Management Board	20 March 2014	....

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

Warsaw, 20 March 2014

Name and surname	Position/function	Date	Signature
Maciej Krzyżanowski	President of the Management Board	20 March 2014	....
Tadeusz Czichon	Vice-President of the Management Board	20 March 2014	....

STATEMENT OF THE MANAGEMENT BOARD OF ATM S.A. ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2013

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

ATM S.A. follows the corporate governance principles specified in the "Code of Best Practice for WSE Listed Companies" introduced with Resolution No 12/1170/2007 of the Warsaw Stock Exchange Council dated 4 July 2007 amended by the following Resolutions of the Warsaw Stock Exchange Supervisory Board: No 17/1249/2010 of 19 May 2010, No 15/1282/2011 of 31 August 2011, and No 20/1287/2011 of 19 October 2011 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A., No 19/1307/2012 of 21 November 2012 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A.

The text of these principles, as binding in 2013, is available on the Internet at:

http://www.corp-gov.gpw.pl/assets/library/polish/regulacje/dobre_praktyki_16_11_2012.pdf

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

The Management Board of the Company hereby represents that it does not apply the following principles of corporate governance:

I. Recommendations for Best Practice for Listed Companies

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

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

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

During this term of the Management Board and the Supervisory Board, the Company does not anticipate to introduce any changes in order to implement the recommendation of WSE with respect to a balanced proportion of men and women in the management and supervisory functions in the Company. However, the only proxy, performing her function in the Company for many years, is a woman. Thus women constitute 33% of the company management team.

12. A company should enable its shareholders to exercise, personally or via an authorised representative, their voting rights at a General Meeting, from a remote location, using electronic communication devices.

The company will examine the possibility to adapt to the recommendations of good practice in this field, provided that solutions offered on the market will allow conducting the general meeting in a safe and effective manner.

IV. Best Practices of Shareholders

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

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

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

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

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

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

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

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

Name and surname or company name	Number of shares held	Share in the share capital	Number of votes at the General Meeting	Share in the overall number of votes
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	9,119,040	25.09%	9,119,040	25.09%
ING OFE**	3,571,486	9.83%	3,571,486	9.83%
PKO BP Bankowy OFE**	2,773,291	7.63%	2,773,291	7.63%
Piotr Puteczny***	2,243,066	6.17%	2,243,066	6.17%
ALTUS TFI****	1,828,065	5.03%	1,828,065	5.03%

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Vice-President of the Management Board of ATM S.A.*

***) number of shares as at 31 December 2013 based on the "Annual asset structure"*

****) jointly with his spouse*

*****) number of shares pursuant to a notification received on 17 December 2012*

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

No securities exist which grant special control rights.

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

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

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

The only restrictions as to the transfer of ownership title to the Issuer's securities concern shares purchased under the Incentive Scheme for the employees of ATM S.A. Capital Group for the period 2008–2010.

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

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

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

The Management Board acts on the basis of the Company's Articles of Association, resolutions of the General Meeting, the Code of Commercial Companies, other applicable provisions of law as well as on the basis of the Regulations of the Management Board of ATM S.A. adopted with a resolution of the Supervisory Board of 11 June 2012. The Management Board operates on the basis of and is subject to the corporate governance code. The Management Board is composed of two members: The President and Vice-President of the Management Board. The Management Board is appointed and revoked by the Supervisory Board, which indicates the President of the Management Board. If a Member of the Management Board is recalled, the Supervisory Board is obliged to appoint a new Member of the Management Board at the same meeting. All matters related to managing the Company, not reserved by the Company's Articles of Association or the Code of Commercial Companies as the competence of the General Meeting of Company Shareholders or the Supervisory Board, belong to the responsibilities of the Management Board.

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

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

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

Currently, the Management Board shall have no authority to decide about the issue of shares. Moreover, the Management Board shall have no authority to decide about the buyout of shares, except for the authority delegated to purchase the Company's shares in relation to the implementation of the Company's Incentive Scheme.

I) Description of principles concerning amendments to the Issuer's articles of association.

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

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

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

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

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

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

The agenda is proposed by the body which convenes the General Meeting. In the event of matters included in the agenda at the request of shareholders, to remove such an item from the agenda or abandon it, the General Meeting must pass a resolution upon prior consent of all requesting shareholders who are present, backed by 75% of votes of the General Meeting. In the event referred to in Article 397 of the Code of Commercial Companies, a resolution on the dissolution of the Company shall require the majority of votes. The business objective of the Company may be changed without redeeming shares of those shareholders who do not consent to the change in the business objective provided that the resolution changing the Company's business objective is passed by the majority of 2/3 of votes in the presence of shareholders who represent at least half of the share capital. The Chairman of the Supervisory Board or a person indicated by the Chairman shall open the General Meeting. Should the Chairman of the Supervisory Board be absent at the General Meeting or fail to indicate a person to open the General Meeting, the General Meeting shall be opened by a shareholder who holds the highest number of shares in the Company's share capital or his representative present at the General Meeting. The person who opens the General Meeting should immediately choose a Chairperson from among the participants. The Chairperson of the Meeting shall state the formal validity of summoning the General Meeting and chairs the proceedings in accordance with the adopted agenda, applicable provisions of law, the Company's Articles of Association, General Meeting Rules and Regulations and corporate governance principles adopted by the Company. The Chairperson of the General Meeting shall watch over the correct conduct of the proceedings as well as the respect for rights and interests of all shareholders. The Chairperson should prevent the abuse of rights by the participants of the General Meeting and, in particular, ensure the respect for minority shareholders' rights. Having checked and signed the attendance list, the Chairperson shall conduct the voting on the agenda. The General Meeting may adopt the proposed agenda as it is, modify the sequence of items in the agenda or remove some matters from the agenda. A request on abandoning a matter included in the agenda shall be duly substantiated. The General Meeting may also add new items to the agenda, and discuss such items, without however passing any resolutions concerning such items. If the General Meeting resolves to remove an item from the agenda, motions submitted in connection with the removed item are abandoned. The Chairperson may not independently remove items from the announced agenda, change the order of individual items, or proceed on matters of substance not included in the agenda. Following the presentation of each item included in the agenda, the Chairperson shall open the discussion, inviting speakers according to the order of their enlisting. The decision on closing the discussion shall be made by the Chairperson. Speakers may express their opinions only on items included in the agenda, referring to the currently discussed item. As regards formal matters, the Chairperson may invite speakers outside the established sequence. The discussion on formal motions should be conducted directly after their submission. Having closed the discussion on formal motions, the Chairperson opens the General Meeting's voting on these items. Having exhausted the agenda, the Chairperson closes the General Meeting. Following the closing of the General Meeting, it no longer constitutes an organizational body of the Company, and the participants of the General Meeting may not pass valid resolutions. Detailed rules of participation and execution of voting rights at the General Meeting as well as particular stages of the proceedings have been presented in the General Meeting Rules and Regulations and Company's Articles of Association, available at the Company's website.

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

In 2013, the Management Board of ATM S.A. was composed of the following members:

- Maciej Krzyżanowski — President of the Management Board,
- Tadeusz Czichon — Vice-President of the Management Board.

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

From 1 January 2013 to 31 December 2013, the Company's Supervisory Board was composed of the following members:

- Roman Szwed – Chairman of the Supervisory Board (until 8 March 2013),
- Sławomir Kamiński – Member of the Supervisory Board (from 8 April 2013 – Chairman of the Supervisory Board),
- Tomasz Tuchołka – Vice-Chairman of the Supervisory Board,
- Grzegorz Domagała – Member of the Supervisory Board,
- Mirosław Panek — Member of the Supervisory Board,
- Marcin Wysocki — Member of the Supervisory Board (from 8 April 2013).

The Supervisory Board acts in compliance with the Company's Articles of Association, resolutions of the General Meeting of Shareholders, applicable laws and the Supervisory Board Rules. The Supervisory Board operates on the basis of and is subject to the corporate governance code. Members of the Supervisory

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

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

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

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

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

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Warsaw, 20 March 2014

Maciej Krzyżanowski – President of the Management Board, ...

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

OPINION AND REPORT OF AN INDEPENDENT STATUTORY AUDITOR

on the consolidated financial statements

of ATM S.A. Capital Group

in

Warsaw

for the period from 1.01.2013 to 31.12.2013

The Opinion consists of 2 pages.
The report supplementing the opinion consists of 12 pages.
Independent statutory auditor's opinion
and the report supplementing the opinion
on the audit of the consolidated financial statements
for the financial year ended
31 December 2013

INDEPENDENT STATUTORY AUDITOR'S OPINION

To the General Shareholders' Meeting of ATM S.A.

We carried out an audit of the attached consolidated financial statements of ATM S.A. with its registered office in Warsaw, at Grochowska 21a (hereinafter referred to as the "Parent Undertaking") consisting of the consolidated statement of financial position as at 31 December 2013, the consolidated profit and loss account, the consolidated statement of total income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the financial year then ended, as well as additional information regarding the adopted accounting policies and other explanatory notes.

Responsibilities of the Management Board and the Supervisory Board

The Parent Undertaking's Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards approved by the European Union, the requirements relating to issuers of securities admitted to trading on the market of official stock-exchange listing, and other applicable regulations, as well as the preparation of the report on the operations of the Capital Group. The Parent Company's Management Board is also responsible for such internal control as it considers necessary to ensure that the prepared financial statements are free from any misstatements, whether due to fraud or error.

In accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2013 No 330) (the "Accounting Act"), the Management Board and Members of the Supervisory Board of the Parent Undertaking are required to ensure that the consolidated financial statements and the report on the operations of the Capital Group meet the requirements set out in the Act.

Responsibility of the Statutory Auditor

Our responsibility is to express our opinion on these consolidated financial statements and the accuracy of accounting records constituting the basis for the preparation thereof, based on the conducted audit. We have audited the consolidated financial statements in accordance with the provisions of Chapter 7 of the Accounting Act, Polish financial auditing standards issued by the National Chamber of Statutory Auditors in Poland, and International Financial Reporting Standards. These regulations oblige us to observe ethics principles, as well as to plan and conduct the audit in such a way as to obtain reasonable assurance as to whether the financial statements and accounting records which constituted the basis for the preparation of the financial statements are free from any material misstatements.

An audit involves performing procedures to obtain audit evidence concerning the amounts and disclosures contained in the financial statements. When selecting audit procedures, we apply our professional judgement, also with respect to the evaluation of the risk of material irregularities in the financial statements due to intended activities or mistakes. When evaluating this risk, we take into account the internal control procedures related to drawing up a true and fair presentation of the financial statements, in order to plan our audit procedures adjusted to existing circumstances, but not to express an opinion on the effectiveness of internal control procedures in the entity. Our audit also includes the evaluation of appropriateness of the applied accounting policy, reasonableness of estimates made by the Management Board, as well as the evaluation of overall presentation of the financial statements.

We believe that the audit evidence provides a sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of ATM S.A. Capital Group give a true and fair view of the financial position of the Capital Group as at 31 December 2013, its financial performance and its cash flows for the financial year then ended; they were prepared, in all material aspects, in accordance with the International Accounting Standards, International Financial Reporting Standards approved by the European Union, and applicable interpretations published in the form of regulations of the European Commission and in the scope not regulated in these standards — in line with the requirements of the Accounting Act and the secondary legislation issued pursuant to this Act, as well as the requirements relating to issuers of securities admitted to trading in the market of official stock listings, and comply with the laws applicable to the Capital Group which affect the contents of the consolidated financial statements.

Other matters

Moreover, in accordance with the requirements of the Accounting Act, we find that the report on the operations of the Capital Group, in all material aspects, takes account of the information referred to in Article 49 of the Accounting Act and Regulation of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions for deeming equivalent the information required by the provisions of the law of a Non-Member State (Journal of Laws of 2009 No 33, item 259) and that such information is consistent with that presented in the financial statements.

Justyna Górak
Statutory Auditor No 11591

Key Statutory Auditor conducting the audit
on behalf of PKF Consult Sp. z o.o.
entity authorised to audit financial statements No 477

Orzycka 6 apt. 1B
02-695 Warsaw

Warsaw, 20 March 2014

PKF CONSULT Sp. z o.o.
02-695 Warsaw, Orzycka 6 apt. 1B
phone: +48 22 560 76 50, fax: +48 22 560 76 63
REGON (Statistical ID No) 010143080, NIP (Tax ID No) 521-052-77-10

Entity entered in the list of entities authorised to audit financial statements under No 548
District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, under the KRS No 0000019875

Report supplementing the opinion
on the audit of the consolidated financial statements

of ATM S.A. Capital Group
in
Warsaw

for the period from 1.01.2013 to 31.12.2013

The report supplementing the opinion consists of 12 pages.
Report supplementing the opinion
on the audit of the consolidated financial statements
for the financial year ended
31 December 2013

Table of Contents

PKF Audyt Sp. z o.o. <> 02-695 Warsaw, Orzycka 6, apt. 1B, telephone: (022) 560 76 50, Fax: (022) 560 76 63

1. General part of the report

1.1. Identification of the Capital Group

1.1.1. Name of the Capital Group

ATM S.A. Capital Group

1.1.2. The Parent Undertaking's registered office 04-186 Warsaw, Grochowska 21a

1.1.3. Entry of the Parent Company in the National Court Register

Registry Court:	District Court in Warsaw, 13th Commercial Division of the National Court Register
Date:	16.08.2001
Registry Number:	KRS 0000034947
REGON (Statistical ID No):	012677986
NIP (Tax ID Number):	1130059989

1.1.4. Ownership structure of the Parent Company

As at 31 December 2013, the ownership structure of the Company's share capital of EUR 34,526 thousand is presented below:

Name and surname/Business name	Number of shares	Interest in the capital	Number of votes	Interest in the voting rights	Value of held shares
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	9,119,040	25.09%	9,119,040	25.09%	8,663,088.00
ING OFE**	3,571,486	9.83%	3,571,486	9.83%	3,392,911.70
PKO BP Bankowy OFE**	2,773,291	7.63%	2,773,291	7.63%	2,634,626.45
Piotr Puteczny***	2,243,066	6.17%	2,243,066	6.17%	2,130,912.70
ALTUS TFI****	1,828,065	5.03%	1,828,065	5.03%	1,736,661.75
Maciej Krzyżanowski	58,608	0.16%	58,608	0.16%	55,677.60
Anna Bugajska	56,600	0.16%	56,600	0.16%	53,770.00
Other	16,693,188	45.93%	16,693,188	45.93%	15,858,528.60
Total	**36,343,344**	**100%**	**36,343,344**	**100%**	**34,526,176.80**

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Vice-President of the Management Board of ATM S.A.*

***) number of shares as at 30 December 2013 based on the "Annual asset structure"*

****) jointly with his spouse*

*****) number of shares pursuant to a notification received on 17 December 2012*

1.1.5. Information concerning undertakings included in the Capital Group

1.1.5.1. Undertakings covered by the consolidated financial statements

As at 31 December 2013, the following undertakings belonging to the Capital Group were subject to consolidation:

Parent Company:

- ATM S.A.

Associates valued using the equity method:

- Linx Telecommunications BV

Undertakings recognized in discontinued operations:

- mPay International Sp. z o.o. in bankruptcy liquidation
- mPay S.A.

At the beginning of the audited period, the Company had the following related entities:

Entity name	Type of relationship	Stake in share capital
mPay International Sp. z o.o.	Entity in bankruptcy	
in bankruptcy liquidation	liquidation	60.00%
mPay S.A.	Subsidiary	65.64%
Linx Telecommunications	Associate	21.27%

In 2013, the following changes occurred with respect to the Group's structure:

- On 3 September 2013, bankruptcy proceedings regarding mPay International Sp. z o.o., in which the Company held a 60% stake, came to an end — in the course of the proceedings the entire bankruptcy estate was identified and liquidated.
- On 6 November 2013, agreements on the sale of all shares in mPay S.A. owned by the Company were signed with industry investors.

As at 31 December 2013 and the date of publication of the annual report, the Company held shares representing 21.27% of the share capital of Linx Telecommunications B.V. The results of this entity, as an associated company, are measured using the equity method.

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

- ATM PP Sp. z o.o. – related through Mr Tadeusz Czichon, who is the Vice-President of the Management Board of this undertaking,
- ATP-Investments Sp. z o.o. – related through Mr Tadeusz Czichon, who holds 49.9% of shares in this company, and at the same time is its proxy,
- ATP-Invest Sp. z o.o. S.K.A. – related through Mr Tadeusz Czichon, who holds 91.9% of shares in this company,
- Seleris Sp. z o.o. – related through Mr Maciej Krzyżanowski, who holds 30% of shares in this company.

1.1.6. The Parent Company Manager

The function of the Manager of the Parent Company is performed by the Management Board of the Parent Company.

As at 31 December 2013, the Management Board of the Company was composed of:

Maciej Krzyżanowski — President of the Management Board,
Tadeusz Czichon —Vice-President of the Management Board.

In the audited year, there were no changes in the composition of the Management Board of the Parent Company.

PKF Audyt Sp. z o.o. <> 02-695 Warsaw, Orzycka 6, apt. 1B, telephone: (022) 560 76 50, Fax: (022) 560 76 63

1.2. Identification of the key statutory auditor and the entity authorised to audit financial statements

1.2.1. Identification of the key statutory auditor:

Name and surname:	Justyna Górak
Registration number:	11591

1.2.2. Identification of the entity authorised to perform the audit:

Company:	PKF Consult Sp. z o.o.
Registered office:	Warsaw
Address:	Orzycka 6, apt. 1B, 02-695 Warsaw
Registry Number:	KRS 0000034774
Registry Court:	District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register Share
capital:	PLN 128,050
NIP (Tax ID No):	521-05-27-710

PKF Consult Sp. z o.o. is entered in the list of entities authorised to audit financial statements under No 477.

The audit of the consolidated financial statements was conducted in accordance with the agreement dated 27 June 2013, concluded on the basis of a resolution of the Supervisory Board dated 25 June 2013 concerning the appointment of the entity authorised to audit the financial statements.

The audit of the consolidated financial statements was conducted at the registered office of the Parent Company, in the period from 24 February 2014 to 20 March 2014, intermittently.

The key statutory auditor and PKF Consult Sp. z o.o. meet the requirement of independence from the audited Capital Group within the meaning of Article 56, clauses 3 and 4 of the Act on statutory auditors and their council, entities authorised to audit financial statements and public supervision of 7 May 2009 (Journal of Laws No 77, item 649).

1.3. Information on the consolidated financial statements for the previous financial year

The consolidated financial statements prepared as at 31 December 2012 and for the period then ended were audited by PKF Audyt Sp. z o.o. and received an unqualified opinion of the statutory auditor.

The General Meeting approved the consolidated financial statements on 12 June 2013.

The consolidated financial statements were filed with the Registry Court on 17 June 2013.

1.4. The scope of works and responsibilities

This report was prepared for the General Meeting of ATM S.A. with its registered office in Warsaw, at Grochowska 21A and concerns the consolidated financial statements consisting of the consolidated financial situation statement as at 31 December 2013, the consolidated statement of total income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year then ended, and additional information regarding the adopted accounting principles and other explanatory notes.

The audited company prepares consolidated financial statements as per the International Financial Reporting Standards approved by the European Union, based on the decision of the General Meeting of 5 June 2008.

PKF Audyt Sp. z o.o. <> 02-695 Warsaw, Orzycka 6, apt. 1B, telephone: (022) 560 76 50, Fax: (022) 560 76 63

We have audited the consolidated financial statements in accordance with the provisions of Chapter 7 of the Accounting Act, Polish financial auditing standards issued by the National Chamber of Statutory Auditors in Poland, and International Financial Reporting Standards.

The Parent Company's Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards approved by the European Union, the requirements relating to issuers of securities admitted to trading in the market of official stock listings, and other applicable regulations, as well as the preparation of the report on the operations of the Capital Group.

Our responsibility was to express our opinion and prepare a supplementing report in respect of these consolidated financial statements.

On the day of issue of this report, the Management Board of the Parent Company submitted a statement on the reliability and clarity of the consolidated financial statements presented for audit and on the lack of any events materially affecting the data presented in the consolidated financial statements for the reviewed year.

During the audit of the financial statements, the Management Board of the Parent Company submitted all statements, explanations and information which we required, and provided us with all documents and information necessary to issue an opinion and prepare the report.

The scope of the planned and performed work has not been limited in any way. The scope and manner of the conducted audit results from the working documentation we prepared, which is kept in the registered office of PKF Consult Sp. z o.o.

1.5. Information on conducted audits of financial statements of the consolidated undertakings

The audited consolidated financial statements of the Capital Group consist of individual financial statements of the Parent Company and its Subsidiaries, as at 31 December 2013, which have been audited and received the following opinion:

Entity name	Entity authorised to perform audit	Type of the audit opinion	Consolidation method
ATM S.A.	PKF Consult Sp. z o.o.	unqualified	full

Until the day of issuing the opinion on the consolidated financial statements, no complete financial statements of related companies had been drawn up. Hence no audit opinions on these statements had been received.

PKF Audyt Sp. z o.o. <> 02-695 Warsaw, Orzycka 6, apt. 1B, telephone: (022) 560 76 50, Fax: (022) 560 76 63

2. Analytic part of the Report

2.1. Consolidated financial situation statement

ASSETS	31-12-2013 PLN thousand	% of total assets	31-12-2012 PLN thousand	% of total assets
Fixed assets				
Goodwill	0	0.0%	128	0.0%
Intangible assets	5,101	1.4%	44,972	12.5%
Tangible fixed assets	263,014	70.8%	207,697	57.8%
Investments in associates consolidated using the equity method	64,241	17.3%	68,367	19.0%
Other financial assets	0	0.0%	0	0.0%
Other fixed assets	208	0.1%	162	0.0%
	332,564	**89.6%**	**321,326**	**89.5%**
Current assets				
Inventories	1,511	0.4%	1,340	0.4%
Financial assets held for trading	453	0.1%	970	0.3%
Trade and other receivables	29,293	7.9%	24,297	6.8%
Current income tax receivables	2,060	0.6%	57	0.0%
Other current assets	4,325	1.2%	4,011	1.1%
Cash and cash equivalents	1,129	0.3%	4,578	1.3%
Assets classified as held for sale	0	0.0%	2,589	0.7%
	38,770	**10.4%**	**37,842**	**10.5%**
TOTAL ASSETS	**371,334**	**100%**	**359,168**	**100%**

LIABILITIES	31-12-2013 PLN thousand	% of total assets	31-12-2012 PLN thousand	% of total assets
Equity				
Group shareholders' equity	**236,104**	**63.6%**	**229,174**	**63.8%**
Share capital	34,723	9.4%	34,723	9.7%
Supplementary capital from share premium	123,735	33.3%	123,735	34.5%
Treasury shares		0.0%	-1	0.0%
Capital reserves	55,994	15.1%	52,505	14.6%
Retained earnings	21,652	5.8%	18,212	5.1%
Non-controlling shares	0	0.0%	2,251	0.6%
	236,104	**63.6%**	**231,425**	**64.4%**
Long-term liabilities				
Credits and loans	32,099	8.6%	31,376	8.7%
Provisions for deferred income tax	1,529	0.4%	34	0.0%
Trading and other liabilities	19,443	5.2%	27,036	7.5%
Other financial liabilities	14,723	4.0%	19,208	5.3%
	67,795	**18.3%**	**77,654**	**21.6%**
Short-term liabilities				
Credits and loans	29,544	8.0%	13,852	3.9%
Income tax liabilities	0	0.0%	2,037	0.6%
Trading and other liabilities	29,763	8.0%	20,115	5.6%
Other financial liabilities	8,127	2.2%	11,498	3.2%
Liabilities related directly to fixed assets classified as held for sale		0.0%	2,587	0.7%
	67,435	**18.2%**	**50,089**	**13.9%**
TOTAL LIABILITIES AND EQUITY	**371,334**	**100.0%**	**359,168**	**100.0%**

PKF Audyt Sp. z o.o. <> 02-695 Warsaw, Orzycka 6, apt. 1B, telephone: (022) 560 76 50, Fax: (022) 560 76 63

2.2. Consolidated statement of total income

	2013 PLN thousand	**change %**	**2012 PLN thousand**
Net sales revenue	**170,332**	**-5.6%**	**180,395**
Sales revenue	170,332	-5.6%	180,395
Cost of sales	**116,315**	**-8.6%**	**127,214**
Cost of sales (variable)	93,343	-11.8%	105,826
Cost of sales (fixed)	22,972	7.4%	21,388
Gross profit (loss) on sales	**54,017**	**1.6%**	**53,181**
Other operating revenue	503	-41.4%	858
General and administrative costs	26,408	-3.3%	27,309
Other operating expenses	1,789	0.6%	1,778
Operating profit (loss)	**26,324**	**5.5%**	**24,952**
Share in the financial result of undertakings valued using the method of	-2,563	1075.9%	-218
Financial revenue	599	-73.0%	2,223
Financial expenses	6,411	-45.8%	11,832
Profit (loss) before tax	**17,949**	**18.7%**	**15,125**
Income tax	(467)	-67.6%	(1,441)
Net profit (loss) on continuing operations	**17,482**	**27.8%**	**13,683**
Profit (loss) on discontinued operations	(5,842)	**148.4%**	(2,352)
Net profit (loss)	**11,640**	**2.7%**	**11,332**
Net profit (loss) for minority shareholders		-100.0%	(463)
Net profit (loss) for the Group's shareholders	11,640	-1.3%	11,796
Net profit (loss)	**11,640**	**2.7%**	**11,332**
Other total income that will not be reclassified to profit or loss	-1,562	-223.8%	1,262
Shares in other total income of associated entities	-1,562	-223.8%	1,262
Other total income that may be reclassified to profit or loss	0		0
Revaluation of fixed assets	0		0
Results of valuation of financial assets available for sale	0		0
Total revenue	**10,078**	**-20.0%**	**12,594**

2.3. Selected financial ratios

	2013	2012
1. Return on sales		
Gross result on sales x 100% / Net revenue	31.7%	29.5%
2. Return on equity		
net result x 100% / average balance of equity	5.0%	4.4%
3. Receivables turnover		
average balance of trade receivables × 365 days / Net revenue	57 days	114 days
4. Debt ratio		
liabilities and provisions for liabilities x 100% / total assets	36.4%	35.6%
5. Liquidity ratio		
current assets / short-term liabilities	0.57	0.76

PKF Audyt Sp. z o.o. <> 02-695 Warsaw, Orzycka 6, apt. 1B, telephone: (022) 560 76 50, Fax: (022) 560 76 63

3. Detailed part of the Report

3.1. The accounting principles, method of consolidation, correctness of documentation on consolidation

The method of consolidation and the manner of determining goodwill under the consolidation are presented in additional information to the consolidated financial statements.

The Parent Company holds current documentation describing the accounting principles adopted by the Management Board, to the extent required by Article 10 of the Accounting Act.

The consolidated financial statements were prepared based on the consolidation documentation drawn up in a complete and correct manner pursuant to the requirements of the Regulation of the Minister of Finance of 25 September 2009 concerning detailed principles of drawing up consolidated financial statements of capital groups by entities other than banks and insurance companies (Journal of Laws of 2009 No 169, item 1327).

The consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards, which have been approved by the European Union, and other applicable regulations. The adopted accounting principles are presented in additional information to the consolidated financial statements, to the extent required by International Financial Reporting Standards, which have been approved by the European Union.

Due to the fact that not all undertakings in the Capital Group apply identical accounting principles, pursuant to the principles applied by the Parent Company — for the purpose of preparing the consolidated financial statements — the financial statements of these undertakings were restated accordingly in order to adjust the data to the accounting principles applied by the Parent Company.

3.2. Additional information to consolidated financial statements

The data contained in the additional information to the consolidated financial statements, comprising a summary of significant accounting principles and other explanatory information are, in all material respects, complete and accurate. These data are an integral part of the consolidated financial statements.

3.3. Report on the operations of the Capital Group

The report on the operations of the Capital Group, in all material aspects, takes account of the information referred to in Article 49 of the Accounting Act and Regulation of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions for deeming equivalent the information required by the provisions of the law of a Non-Member State (Journal of Laws of 2009 No 33, item 259) and such information is consistent with that presented in the financial statements.

3.4. Consolidation of equities and determining non-controlling interests

The share capital of the Capital Group is the share capital of the Parent Company.

Other components of equity of the Capital Group are determined by adding the individual components of the Parent Company’s equity to appropriate components of equities of Subsidiaries included in the consolidated financial statements, corresponding to the share of the Parent Company in Subsidiaries' equities as at the end of the reporting period. Only the portions of respective components of Subsidiaries’ equities which were created after the day when the Parent Company took control over them were included in the equity of the Parent Company.

Non-controlling interests in Subsidiaries included in the consolidated financial statements were determined based on the percentage of non-controlling interests in Subsidiaries’ equities as at the end of the reporting period.

3.5. Consolidation exclusions

During the consolidation, the following consolidation exclusions were implemented: exclusions concerning inter-company balances, exclusions relating to the sales between the entities of the Capital Group, other inter-company operating and financial revenues and expenses, as well as results not generated by the consolidated undertakings, included in the value of assets.

The data used as the basis for the exclusions were obtained from the accounting records of ATM S.A. and aligned with the information received from the Subsidiaries.

3.6. Information on the independent statutory auditor's opinion

Based on the conducted audit of the consolidated financial statements of the Capital Group prepared as at 31 December 2013 and for the period then ended, we have issued an unqualified opinion.

Justyna Górak
Statutory Auditor No 11591

Key Statutory Auditor conducting the audit
on behalf of PKF Consult Sp. z o.o.
entity authorised to audit financial statements No 477

Orzycka 6, apt. 1B
02-695 Warsaw

Warsaw, 20 March 2014

PKF CONSULT Sp. z o.o.
02-695 Warsaw, Orzycka 6 apt. 1B
phone: +48 22 560 76 50, fax: +48 22 560 76 63
REGON (Statistical ID No) 010143080, NIP (Tax ID No) 521-052-77-10