Semi-annual report of ATM S.A. for the first half of 2016

Warsaw, September 2016

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KEY INFORMATION REGARDING THE SEMI-ANNUAL REPORT

This semi-annual report covers information prepared pursuant to § 86 item 1 and § 89 item 1 of the Regulation of the Minister of Finance of 19 February 2009, and includes financial statements of ATM S.A. prepared according to the International Financial Reporting Standards as approved by the European Union.

Submission date: 30 September 2016

Key data of the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
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REGON (Statistical ID No): 012677986

SELECTED FINANCIAL DATA

	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	in PLN thousand		in EUR thousand	
Total sales revenue	66,063	65,773	15,081	15,910
Revenue from core operating segments	63,292	61,127	14,449	14,786
Sales margin	35,322	33,561	8,064	8,118
EBITDA	18,923	16,909	4,320	4,090
Operating profit	7,558	5,863	1,725	1,418
Profit before tax	4,384	5,251	1,001	1,270
Net profit on continued operations	3,443	4,059	786	982
Comprehensive income	4,566	5,112	1,042	1,237
Net cash from operating activities	11,662	16,729	2,662	4,047
Net cash from investing activities	(14,654)	(21,166)	(3,345)	(5,120)
Net cash from financing activities	1,947	3,353	445	812
Increase (decrease) in cash	(1,044)	(1,083)	(238)	(261)
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Fixed assets	389,118	388,367	87,926	91,134
Current assets	21,797	19,078	4,925	4,478
Total assets	410,915	407,445	92,852	95,611
Long-term liabilities	78,043	102,031	17,635	23,943
Short-term liabilities	96,507	73,615	21,807	17,274
Equity	236,365	231,799	53,410	54,394
Share capital *	34,723	34,723	7,846	8,148
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	6.50	6.38	1.47	1.50

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

The above financial data for the first half of 2016 and 2015 were translated into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average PLN/EUR exchange rate of 4.4255 as published by the National Bank of Poland on 30 June 2016;
- particular items of the profit and loss account and the statement of cash flows were converted at the PLN/EUR exchange rate which is the arithmetical mean of average rates set by the National Bank of Poland as at the last day of each month of the financial period from 1 January until 30 June 2016, amounting to 4.3805, and from 1 January until 30 June 2015, amounting to 4.1341.

The financial figures for 2015 were translated into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average PLN/EUR exchange rate of 4.2615 as published by the National Bank of Poland on 31 December 2015.

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

A. CONDENSED FINANCIAL STATEMENTS OF ATM S.A. FOR THE FIRST HALF OF 2016

1. CONDENSED INTERIM INCOME STATEMENT

	For the period 01/01–30/06/2016	For the period 01/04–30/06/2016	For the period 01/01–30/06/2015	For the period 01/04–30/06/2015
Continued operations				
Sales revenue	66,063	33,345	65,773	33,040
of which: Revenue from core operating segments	63,292	31,917	61,127	30,797
Cost of sales (variable)	30,741	15,423	32,212	16,118
Sales margin*	**35,322**	**17,922**	**33,561**	**16,922**
Cost of sales (fixed)	14,109	7,092	12,826	6,510
Gross profit (loss) on sales	**21,213**	**10,830**	**20,735**	**10,412**
Other operating revenue	59	1	95	36
General and administrative expenses	13,577	6,843	14,489	7,432
Other operating expenses	137	97	478	231
Operating profit (loss)	**7,558**	**3,891**	**5,863**	**2,786**
Share in the financial result of undertakings accounted for using the equity method**	1,503	703	1,443	522
Financial revenue	29	17	155	131
Financial expenses ***	4,705	3,588	2,210	1,114
Profit (loss) before tax	**4,384**	**1,022**	**5,251**	**2,324**
Income tax	942	465	1,192	752
Net profit (loss) on continued operations	**3,443**	**557**	**4,059**	**1,573**
Discontinued operations				
Net profit (loss) on discontinued operations	-	-	-	-
Net profit (loss)	**3,443**	**557**	**4,059**	**1,573**
Profit (loss) per share	-	-	-	-
On continued operations:				
Ordinary	0.09	0.02	0.11	0.04
Diluted	0.09	0.02	0.11	0.04
On continued and discontinued operations:				
Ordinary	0.09	0.02	0.11	0.04
Diluted	0.09	0.02	0.11	0.04
EBITDA	**18,923**	**9,677**	**16,909**	**8,438**

NOTES:

*) The Issuer additionally discloses, in relation to the IFRS requirements, the “Sales margin” category which represents the difference between sales revenue and own 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.

**) This item includes the Issuer’s share in the financial result of an associate, Linx Telecommunications Holding B.V. ATM S.A.’s share in the remaining part of changes in equity of this company is recognised as “Share in other comprehensive income of associated entities” of the Condensed Interim Statement of Comprehensive Income presented below.

***) This item includes costs of PLN 2.6 million associated with the revaluation of shares in associated entity Linx Telecommunications B.V. to the value disclosed in the Issuer’s books of account as at the end of 2015.

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

2. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–30/06/2016	For the period 01/04–30/06/2016	For the period 01/01–30/06/2015	For the period 01/04–30/06/2015
Net profit (loss)	**3,443**	**557**	**4,059**	**1,573**
Other comprehensive income that will not be reclassified to profit or loss	**1,123**	**686**	**1,053**	**245**
Results of revaluation of fixed assets	-	-	-	-
Actuarial gains or losses	-	-	-	-
Share in other comprehensive income of associated entities	1,123	686	1,053	245
Income tax related to items that will not be reclassified	-	-	-	-
Other comprehensive 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 comprehensive income items	-	-	-	-
Total comprehensive income	**4,566**	**1,243**	**5,112**	**1,818**

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

3. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

	End of period 30/06/2016	End of period 30/06/2015	End of period 31/12/2015
Fixed assets	**389,118**	**389,269**	**388,367**
Goodwill	-	-	-
Intangible assets	3,077	3,613	2,939
Tangible fixed assets	332,430	329,166	331,825
Investments in associates consolidated using the equity method	53,346	56,242	53,346
Investments in subsidiaries	-	-	-
Deferred income tax assets	-	-	-
Other fixed assets	265	248	257
Current assets	**21,797**	**24,672**	**19,078**
Inventories	1,148	1,135	1,052
Financial assets held for trading	59	138	66
Trade and other receivables	16,374	17,548	13,452
Income tax receivables	57	57	57
Other current assets	3,386	3,351	2,634
Other financial receivables	-	-	-
Cash and cash equivalents	773	2,443	1,817
Total assets	**410,915**	**413,941**	**407,445**

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

4. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	End of period 30/06/2016	End of period 30/06/2015	End of period 31/12/2015
Equity	**236,365**	**232,529**	**231,799**
Share capital	34,723	34,723	34,723
Supplementary capital from share premium	123,735	123,735	123,735
Revaluation reserve	-	-	-
Treasury shares	-	-	-
Reserve capital	61,144	55,504	55,504
Hedge valuation reserve and FX gains/losses due to consolidation	-	-	-
Retained earnings	16,763	18,567	17,837
Long-term liabilities	**78,043**	**105,548**	**102,031**
Long-term loans and borrowings	50,297	72,345	71,473
Provision for deferred tax	4,103	2,444	3,673
Provisions for liabilities	-	-	-
Long-term trade and other liabilities	16,058	18,433	17,116
Other financial liabilities	7,585	12,326	9,769
Short-term liabilities	**96,507**	**75,863**	**73,615**
Bank loans and borrowings	77,939	49,013	49,627
Provisions for liabilities	-	-	-
Income tax liability	245	-	267
Trade and other liabilities	13,222	12,257	17,479
Other financial liabilities	5,102	14,593	6,242
of which: dividends payable	-	7,268	-
Total equity and liabilities	**410,915**	**413,941**	**407,445**

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

5. CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2016	**34,723**	**123,735**	**-**	**55,504**	**17,837**	**231,799**
Increases:						
Current period result	-	-	-	-	3,443	3,443
Share in other comprehensive income of associated entities	-	-	-	-	1,123	1,123
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	5,640	-	5,640
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	5,640	5,640
Dividend pay-out	-	-	-	-	-	-
As at 30 June 2016	**34,723**	**123,735**	**-**	**61,144**	**16,763**	**236,365**

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

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2015	**34,723**	**123,735**	**-**	**55,504**	**20,724**	**234,686**
Increases:						
Current period result	-	-	-	-	4,059	4,059
Share in other comprehensive income of associated entities	-	-	-	-	1,053	1,053
Profit distribution – increase of the supplementary capital	-	-	-	-	799	799
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	799	799
Dividend pay-out	-	-	-	-	7,268	7,268
As at 30 June 2015	**34,723**	**123,735**	**-**	**55,504**	**18,567**	**232,529**

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

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2015	**34,723**	**123,735**	**-**	**55,504**	**20,724**	**234,686**
Increases:						
Current period result	-	-	-	-	5,640	5,640
Share in other comprehensive income of associated entities	-	-	-	-	(1,259)	(1,259)
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the supplementary capital	-	-	-	-	799	799
Share subscription under the stock option plan	-	-	-	-	-	-
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	799	799
Dividend pay-out	-	-	-	-	7,268	7,268
As at 31 December 2015	**34,723**	**123,735**	**-**	**55,504**	**17,837**	**231,799**

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

6. CONDENSED INTERIM CASH FLOW STATEMENT

	For the period 01/01–30/06/2016	For the period 01/01–30/06/2015
Operating activities	**11,662**	**16,729**
Profit (loss) before tax	4,384	5,251
Adjustments by items:	7,278	11,478
Share in the financial result of undertakings accounted for using the equity method	(1,503)	(1,443)
Depreciation and amortisation	11,365	11,046
Foreign exchange differences	(7)	(24)
Interest received	(1)	(1)
Interest paid	2,006	1,981
Dividends received	-	-
(Profit) loss on investing activities	43	57
Change in inventories	(96)	217
Change in receivables	(2,916)	1,246
Change in liabilities and provisions *	(2,823)	360
Change in other assets	1,874	(431)
Income tax paid	(533)	(709)
Other	(130)	(890)
Investing activities	**(14,654)**	**(21,166)**
Expenditure on purchase of tangible fixed assets	(14,653)	(26,126)
Expenditure on purchase of financial assets	-	-
Proceeds from sale of tangible fixed assets	7	4,896
Repayments of long-term borrowings granted	8	68
Borrowings granted	-	-
Proceeds from sales of financial assets	-	-
Interest received	-	-
Dividends received	-	-
Foreign exchange differences	(16)	(4)
Other	-	-
Financing activities	**1,947**	**3,353**
Net proceeds from issue of shares and other capital contributions	-	-
Subsidies received	120	2,127
Proceeds from loans and borrowings	16,648	13,795
Repayments of loans and borrowings	(9,512)	(6,954)
Purchase of treasury shares	-	-
Payment of liabilities arising from finance leases	(3,325)	(3,664)
Dividends paid	-	-
Interest received	-	1
Interest paid	(2,006)	(1,981)
Other profit-sharing	-	-
Foreign exchange differences	23	28
Other (division adjustment)	-	-
Change in cash	**(1,044)**	**(1,083)**
Opening balance of cash	**1,817**	**3,527**
Closing balance of cash	**773**	**2,443**

*) The item “Change in liabilities and provisions” does not comprise the change in liabilities in respect of investment purchases; the change
in such liabilities is reported in the item “Expenditure on purchase of tangible fixed assets”.

ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GROUNDS FOR THE DRAWING UP OF FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (POLICIES)

The interim condensed financial statements for the first half year ended 30 June 2016 were prepared in accordance with IAS 34 *Interim Financial Reporting* in a condensed form and in compliance with the relevant International Financial Reporting Standards (IFRS) applicable to interim financial reporting, approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), as approved by the European Union and applicable as at 30 June 2016.

Accounting principles (policies) used for preparing the interim condensed financial statements are consistent with those used for preparing the annual financial statements of the Company for the previous year, except for the changes to standards and new standards and interpretations approved by the European Union applicable for reporting periods beginning on or after 1 January 2016.

In 2016, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretation Committee and approved for use in the EU, applicable in the activities conducted by the Company and binding during the reporting periods starting from 1 January 2016. Adopting the standards and interpretations listed above did not lead to significant changes in the Company's accounting policy nor in the presentation of data in financial statements.

Interim condensed financial statements do not include all the information and disclosures required in annual financial statements, and they should be read jointly with the Company's annual financial statements for 2015, including notes for the 12 months ended 31 December 2015, prepared according to IFRS, as approved by the EU.

These condensed interim financial statements have not been audited by an independent statutory auditor. The financial statements for 2015 were the last financial statements audited by an independent statutory auditor.

These condensed interim financial statements have been reviewed by a statutory auditor. The report on that review is published together with these financial statements.

These interim condensed financial statements have been prepared on the assumption that the Company would continue as a going concern in the foreseeable future. As at the date of authorisation of these interim condensed financial statements, no circumstances are found indicating a threat to the continued operations by the Company.

The duration of the Company is indefinite.

These interim condensed financial statements, except for the cash flow statement, were prepared on an accrual basis.

In these foregoing interim condensed financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in Note 2 in the Financial Statements for the year 2015.

Polish zloty is the functional currency of the Issuer and presentation currency of these interim condensed financial statements. The data in the financial statements are rounded up to PLN thousand, unless stated differently.

The interim condensed financial statements present the financial position of ATM S.A. as at 30 June 2016 and as at 30 June 2015 and 31 December 2015, as well as the results of its operations in the period of 3 and 6 months ended 30 June 2016 and 30 June 2015.

2. Operating segments

The operations of the Issuer are divided into two operating segments, which group together the basic categories of services provided by the Issuer:

- the Data Center Services Segment, including collocation services and other services relating to data center infrastructure (such as the leasing of dedicated servers, cloud computing services and backup office services);
- the Telecommunications Services Segment, including broadband data transmission services, telecommunications connection leasing services, Internet access services and voice services (ISDN and VoIP).

The column marked “Other” shows revenue obtained outside the core operating segments, including from the sale of services of an administrative nature. The revenue in this category makes only a small (and decreasing) contribution to the overall profit on sales and does not represent a significant burden on the Company’s fixed costs.

The allocation of fixed assets is based on identification of their actual use. For assets used by both segments, allocation is made based on indices. The value of the Issuer’s shares in its associated company is shown in the column marked “Other”.

Variable costs of sales, costs of depreciation and amortisation, as well as remuneration of employees in the organisational units responsible for the performance of services are allocated to segments in accordance with their direct relationship. Other operating costs are allocated to the appropriate segments proportionally to revenue or to costs of remuneration.

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

Company's results broken down by operating segment in the first half of 2016:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**169,117**	**164,889**	**55,112**	**389,118**
Sales revenue	26,725	36,567	2,772	66,063
of which: sales associated with data center services		10,199		10,199
Cost of sales (variable)	7,603	20,383	2,754	30,741
Sales margin	19,121	16,183	18	35,322
Fixed costs	13,020	14,666		27,686
of which: depreciation and amortisation	6,357	5,008		11,365
Other net operating revenue and costs	(34)	(45)		(79)
Operating profit (loss)	**6,067**	**1,473**	**18**	**7,558**
EBITDA	**12,425**	**6,481**	**18**	**18,923**
Net financial revenue and expenses				(3,174)
Profit (loss) before tax				**4,384**
Income tax				942
Net profit (loss)				**3,443**

Company's results broken down by operating segment in the first half of 2015:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**163,875**	**167,306**	**58,088**	**389,269**
Sales revenue	23,715	37,413	4,646	65,773
of which: sales associated with data center services	-	10,388	-	10,388
Cost of sales (variable)	7,911	20,195	4,105	32,212
Sales margin	15,803	17,217	539	33,560
Fixed costs	10,875	15,636	804	27,315
of which: depreciation and amortisation	5,314	4,938	793	11,046
Other net operating revenue and costs	(149)	(234)	-	(383)
Operating profit (loss)	**4,780**	**1,347**	**(264)**	**5,863**
EBITDA	**10,094**	**6,285**	**530**	**16,909**
Net financial revenue and expenses				(612)
Profit (loss) before tax				**5,251**
Income tax				1,192
Net profit (loss)				**4,059**

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

Company's results broken down by operating segment in the second quarter of 2016:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**169,117**	**164,889**	**55,112**	**389,118**
Sales revenue	13,681	18,237	1,428	33,345
of which: sales associated with data center services		5,237		5,237
Cost of sales (variable)	3,800	10,186	1,436	15,423
Sales margin	9,880	8,050	(8)	17,922
Fixed costs	6,588	7,347		13,935
of which: depreciation and amortisation	3,229	2,556		5,785
Other net operating revenue and costs	(41)	(55)		(96)
Operating profit (loss)	**3,251**	**648**	**(8)**	**3,891**
EBITDA	**6,480**	**3,205**	**(8)**	**9,677**
Net financial revenue and expenses				(2,869)
Profit (loss) before tax				**1,022**
Income tax				465
Net profit (loss)				**557**

Company's results broken down by operating segment in the second quarter of 2015:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**163,875**	**167,306**	**58,088**	**389,269**
Sales revenue	12,147	18,650	2,242	33,040
of which: sales associated with data center services	-	5,207	-	5,207
Cost of sales (variable)	4,045	10,229	1,845	16,118
Sales margin	8,102	8,422	397	16,921
Fixed costs	5,540	8,000	402	13,941
of which: depreciation and amortisation	2,700	2,556	397	5,652
Other net operating revenue and costs	(77)	(118)	-	(194)
Operating profit (loss)	**2,486**	**304**	**(4)**	**2,786**
EBITDA	**5,186**	**2,859**	**393**	**8,438**
Net financial revenue and expenses				(460)
Profit (loss) before tax				**2,325**
Income tax				752
Net profit (loss)				**1,573**

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

The geographical breakdown of sales revenue is as follows:

Sales revenue	For the period 01/01–30/06/2016	For the period 01/04–30/06/2016	For the period 01/01–30/06/2015	For the period 01/04–30/06/2015
Domestic customers	58,186	29,354	59,134	29,661
Foreign customers	7,877	3,991	6,638	3,379
Total sales revenue	**66,063**	**33,345**	**65,772**	**33,040**

In the above table, the item “foreign customers” includes only sales to foreign-registered customers. This category does not include sales to foreign users to whom services are provided through a Polish-registered entity.

3. Inventories revaluation write-downs reducing the value to net realisable value

As at 30 June 2016, the Company had made revaluation write-downs amounting to PLN 106 thousand.

4. Revaluation write-downs on fixed assets

The Company had not made any revaluation write-downs on fixed assets as at 30 March 2016, save for a write-down on the value of shares in associated undertaking Linx Telecommunications Holding B.V., as referred to in note 3 to the condensed interim income statement. In the Issuer’s opinion, the operating results of Linx, without taking account of exchange rate differences, are consistent with the assumptions made at the end of 2015, while unrealised foreign exchange gains reported by Linx in the first half of 2016 are transitional and, therefore, the valuation as at 31 December 2015 is currently valid on the basis of available financial information. On 28 April 2016, Linx announced that on 27 April 2016 it concluded a Share Purchase Agreement (SPA) with CITIC Telecom International CPC Limited with its registered office in Hong Kong within the framework of which both entities agreed on the terms and conditions of sale of the telecommunications part of Linx Telecom Holding B.V. As at the publication date of this report, the Issuer had not been informed and Linx hand not announced whether the transaction had been finalised. Moreover, according to Current Report No 13/2016 of 31 March 2016, Linx capital group, with Linx Telecommunications Holding B.V. as its dominant entity, changed its capital structure as a result of preparations for the finalisation of the aforementioned transaction. Due to the fact that no financial parameters of the agreement were disclosed, the Issuer is unable to determine the potential impact of this transaction (if it is finalised) on the value of the shares held in Linx. In particular, the purpose of funds obtained by Linx if the transaction is finalised is also unknown. The Issuer will announce any material information on the said issue immediately after its receipt.

5. Recognition, increase, utilisation and release of provisions

In the reported period, the Company did not recognise any provisions.

6. Deferred income tax assets and provisions

	Statement of financial position		Statement of comprehensive income	
	End of period 30/06/2016	End of period 31/12/2015	For the period 01/01–30/06/2016	For the period 01/01–30/06/2015
Deferred tax provision				
Difference between the carrying amount and tax value of tangible fixed assets	7,071	6,642	429	1,049

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

Recognised service revenue	-	12	(12)	(52)
Receivable compensation	-	-	-	-
Accrued interest	6	6	-	-
Valuation of financial instruments	-	-	-	-
Subsidies received – settlement	-	-	-	-
Foreign exchange gains	-	-	-	-
Provision for deferred tax acquired as a result of a business combination	-	-	-	-
Gross deferred tax provision	**7,077**	**6,660**	**417**	**997**
Deferred tax assets	-	-	-	-
Difference between the carrying amount and tax value of tangible fixed assets	-	-	-	-
Deferred payment revenue	-	-	-	-
Revenue settled over time	-	-	-	-
Write-downs on inventories	493	487	(6)	(15)
Write-downs on receivables	239	225	(14)	(36)
Write-downs on financial assets	1,926	1,928	2	-
Provisions for service expenses	-	-	-	(22)
Provisions for employee benefits	-	-	-	-
Foreign exchange losses	-	-	-	-
Liabilities to the Social Insurance Institution (ZUS)	-	-	-	-
Liabilities to employees	-	-	-	-
Deferred income/expenses and accruals	222	200	(22)	-
Subsidies received	-	-	-	-
Effects of IRS valuation	92	147	55	85
Recognised interest	-	-	-	-
Deductible tax losses	-	-	-	183
Deferred tax assets acquired through a business combination	-	-	-	-
Gross deferred tax assets	**2,972**	**2,987**	**15**	**195**
Net tax assets (tax provision)	**(4,103)**	**(3,673)**	**-**	**-**
Deferred income tax charge against profit			**431**	**1,192**

7. Significant tangible fixed asset sales and acquisitions

The Company did not carry out any significant one-time transactions concerning fixed assets. In the period covered by the financial statements, investment expenditure totalled PLN 12.1 million. The aforementioned sum concerns expenditure construed as an increase in the value of tangible fixed assets.

8. Significant liabilities on account of the purchase of tangible fixed assets

There were no significant liabilities on account of the purchase of tangible fixed assets.

9. Significant settlements arising from court cases

There were no significant settlements arising from court cases.

10. Adjustment of errors from previous periods

The entity did not make any adjustments of errors from previous periods.

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

11. Changes in economic situation and business conditions having significant impact on the fair value of the entity's financial assets and financial liabilities

There were no changes in economic situation that would have material impact on the fair value of the entity's financial assets and liabilities.

12. Bank loans and borrowings, and lease liabilities

Bank loans include:

1. investment loan for the period of 5 years (2012–2017) of PLN 19.04 million, secured by mortgage on real estate, where the Issuer develops data centers,
2. investment loan for the period of 5 years (2014–2019) of PLN 32.9 million, secured by mortgage on real estate, where the Issuer develops data centers,
3. investment loan for the period of 5 years (2014–2019) of PLN 14.06 million, secured by mortgage on real estate, where the Issuer develops data centers,
4. investment loan for the period of 5 years (2013–2019) of PLN 3.85 million, secured by pledge on capital expenditure,
5. investment loan for the period of 5 years (2015–2020) of PLN 13.29 million, secured by pledge on capital expenditure,
6. overdraft facilities, which revolve annually, with a total limit of up to PLN 50.0 million, used as at the balance-sheet date up to the amount of PLN 45.1 million.

Other financial liabilities include finance lease agreements of the net total value of liabilities amounting to PLN 12.68 million as at the balance sheet date. The lease agreements are concluded in order to refinance investment expenditures, and they are usually entered into for the period of 5 years.

13. Failure to pay off a loan or a borrowing

There was no breach of bank loan or borrowing agreement, and there was no failure to pay off any loan or borrowing.

14. Financial assets at fair value

As at 30 June 2016, the Company held financial instruments carried at fair value in its statement of financial position. The Company 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 methods for which all inputs that have a significant effect on the recognised fair value are included, either directly or indirectly.
Level 3 – methods which use inputs that have a significant effect on the recognised fair value, but 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 input data is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable input data that require significant adjustments based on unobservable inputs, such measurement is a Level 3 measurement. Assessing the significance of particular input data for the fair value measurement in its entirety requires judgement considering factors specific to the asset or liability.

FINANCIAL INSTRUMENTS	End of period 30/06/2016	End of period 31/12/2015

	carrying amount	fair value	carrying amount	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	339	339	717	717
Other financial liabilities	-	-	-	-

Fair value hierarchy

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	End of period 30/06/2016
Derivative financial instruments – option spread hedging the interest rate risk in respect of the investment loan	level 2	11
Derivative financial instruments – IRS contract hedging the interest rate risk in respect of the investment loan	level 2	328
Total		**339**

The valuation of the option spread 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).

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 30 June 2016, no transfers took place between Level 1 and Level 2 of the fair value hierarchy and no instruments were transferred to/from Level 3 of the fair value hierarchy.

15. Changes in the classification of financial assets due to a change of their purpose or use

During the reporting period, the Company did not change the classification of assets.

16. Seasonality of operations

Revenue from sales is stable, recurrent and relatively resistant to the business cycle, owing to the predominant subscription nature of the contracts. This revenue is not seasonal. A periodic rise in revenues may be due to a greater share of revenue from sources other than subscription services relating to providing the clients with telecommunications lines and collocation space. Such an increase in revenue occurred in the last quarters of the years 2012–2014, and in 2015, this phenomenon did not occur.

17. Issue, redemption and repayment of non-share securities and equities

The Company did not carry out any of the aforementioned transactions.

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

18. Dividends paid and declared

On 28 June 2016, the Ordinary General Meeting of the Company adopted a resolution, in accordance with the Management Board's recommendation, allocating the entire net profit generated by the Company in 2015, i.e. PLN 5,639,805.91, to the reserve capital.

19. Value of collateral and security, contingent liabilities and contingent assets

Off-balance sheet items	End of period 30/06/2016	End of period 31/12/2015
1. Contingent receivables	-	-
1.1 from other undertakings	-	-
2. Contingent liabilities	49,206	47,701
2.1 to other entities, of which:	49,206	47,701
- guarantees and sureties granted	464	2,925
- mortgage collateral	31,600	31,600
- collateral pledge	17,142	13,176
Total	**49,206**	**47,701**

Since the end of the financial year 2015, the following changes have occurred with respect to collateral and security given:

a) guarantees and sureties granted have decreased by PLN 2,461 thousand because of:

- expiry of guarantees amounting to PLN 2,611 thousand and granting of guarantees amounting to PLN 150 thousand,

b) mortgage collateral has remained unchanged,

c) collateral pledges have increased by PLN 3,966 thousand.

20. Significant events after the end of the half year

On 23 September 2016, the Issuer signed documents associated with refinancing of the Issuer's debt. The parties to the transaction are the Issuer (as the borrower) and the following banks: mBank S.A. as the facility agent and original lender, and Bank Zachodni WBK S.A. as the security agent and original lender. The purpose of the transaction is to provide for the Issuer's long-term financial security by adjusting the volume and structure of debt financing to the Issuer's needs. Additionally, consolidation of the Issuer's total debt as part of a consortium of two financing institutions will translate into reducing the operating burden associated with the day-to-day servicing of the debt. One of the elements of the transaction in question is early repayment of current debt associated with all the loans granted to the Issuer by mBank S.A., Bank Zachodni WBK S.A., Bank Millennium S.A. and Bank BGŻ BNP Paribas S.A. Financial debt on account of leases has not been subject to refinancing as the Issuer will repay such liabilities in accordance with the currently binding schedules.
The signed loan and guarantee facility agreement ("Loan Agreement") comprises:
- a 5-year term loan of up to PLN 110,000,000;
- a 5-year term investment loan of up to PLN 20,000,000;
- a 2-year overdraft facility of up to PLN 20,000,000;
- guarantee facilities of up to PLN 6,000,000.

Additionally, the Issuer and the refinancing banks entered into agreements under which interest rate risk hedging transactions are to be concluded.
The funds obtained are designated for:
- repayment of total current debt (except for leases);
- financing or refinancing of up to 100% of capital expenditures;
- financing of the Issuer's current operating activities;

- issuing guarantees associated with the Issuer's operating activities.

The Issuer expects the first disbursement of funds to take place at the beginning of October 2016.
On account of the concluded transaction, the Issuer will bear standard costs associated with agreements of this type, as well as ongoing debt servicing costs — interest on the loan was fixed on the basis of the WIBOR 1M rate plus the banks' margin. The Issuer will not incur any costs due to early repayment of its current debt.
The collateral for the refinancing transaction is based on solutions typical of such transactions, including:

- mortgaging the Issuer's properties;
- establishing a registered pledge on the Issuer's movable assets;
- establishing registered and financial pledges on the Issuer's bank accounts;
- agreement on global assignment of rights under commercial contracts.

The agreements do not include contractual penalties or provisions deviating from arrangements typical for agreements of this type.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	**Position/function**	**Date**	**Signature**
Sylwester Biernacki	President	30 September 2016	....
Robert Zaklika	Vice-President	30 September 2016	....
Tomasz Galas	Vice-President	30 September 2016	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	30 September 2016	....

B. MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF ATM S.A. FOR THE FIRST HALF OF 2016

(OTHER INFORMATION REQUIRED BY REGULATION OF THE MINISTER OF FINANCE ON THE CURRENT AND PERIODICAL INFORMATION SUBMITTED BY THE ISSUERS OF SECURITIES)

1. INFORMATION ON THE ISSUER

INFORMATION ON THE ISSUER:

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 Company's core business falls within the sector "Information Technology". In the period covered by these financial statements, ATM S.A. provided data center and data transmission services for corporate clients.

The Company is managed by the Management Board composed as follows:

- Sylwester Biernacki – President of the Management Board,
- Robert Zaklika – Vice-President of the Management Board,
- Tomasz Galas – Vice-President of the Management Board.

On 10 May 2016, the Issuer's Supervisory Board adopted the following resolutions on:

- determining the number of the Members of the Management Board to three;
- dismissing Dariusz Terlecki from the position of President and Member of the Company's Management Board as of 10 May 2016;
- dismissing Jacek Krupa from the position of Vice-President and Member of the Company's Management Board as of 10 May 2016;
- appointing Sylwester Biernacki to the position of President of the Company's Management Board as of 10 May 2016;
- appointing Robert Zaklika to the position of Vice-President of the Company's Management Board as of 1 June 2016;
- appointing Tomasz Galas to the position of Member of the Company's Management Board responsible for finance as of 16 May 2016 (on 29 June 2016, the Issuer's Supervisory Board adopted a resolution appointing Tomasz Galas, current Member of the Company's Management Board, to the position of Vice-President of the Company's Management Board as of 1 July 2016).

Currently, the Company is supervised by a Supervisory Board comprising the following five members:

- Tadeusz Czichon – Chairperson of the Supervisory Board,
- Maciej Kowalski – Deputy Chairperson of the Supervisory Board,
- Piotr Misztal – Member of the Supervisory Board,
- Jacek Osowski – Member of the Supervisory Board,
- Cezary Smorszczewski – Member of the Supervisory Board.

Due to the resignation from membership in the Supervisory Board submitted on 4 March 2016 by the Chairperson of the Supervisory Board Mirosław Panek, on 14 March 2016, the Supervisory Board elected a new Chairperson – Kinga Stanisławska, and a new Deputy Chairperson – Jacek Osowski.

On 25 April 2016, the Extraordinary General Meeting of the Company dismissed Sławomir Kamiński from the Supervisory Board and appointed Cezary Smorszczewski and Maciej Kowalski to the Supervisory Board of the Company.

On 30 May 2016, the Company's Management Board received Kinga Stanisławska's resignation from membership in the Supervisory Board. The resignation was submitted as of the day of the subsequent Extraordinary General Meeting of the Company where changes in the composition of the Supervisory Board are to be on the agenda.

On 30 May 2016, the Extraordinary General Meeting of the Company dismissed Grzegorz Domagała from the Supervisory Board, set the number of Supervisory Board members at five and appointed Piotr Misztal to the Supervisory Board of the Company.

On 2 June 2016, the Issuer's Supervisory Board elected Tadeusz Czichon as the new Chairperson of the Supervisory Board and Maciej Kowalski as the new Deputy Chairperson of the Supervisory Board. The former Deputy Chairperson of the Supervisory Board, Jacek Osowski, handed in his resignation from this post on 2 June 2016.

DESCRIPTION OF CHANGES IN THE ORGANISATION OF THE ISSUER'S CAPITAL GROUP, INCLUDING CHANGES RESULTING FROM BUSINESS COMBINATIONS, OBTAINING OR LOSING CONTROL OF SUBSIDIARIES AND LONG-TERM INVESTMENTS, AS WELL AS DIVISION, RESTRUCTURING OR DISCONTINUATION OF OPERATIONS; INDICATION OF CONSOLIDATED ENTITIES AND, IN THE CASE OF AN ISSUER WHICH IS A DOMINANT ENTITY AND, UNDER APPLICABLE REGULATIONS, IS NOT REQUIRED OR MAY OPT NOT TO DRAW UP CONSOLIDATED FINANCIAL STATEMENTS – ALSO THE REASON AND LEGAL BASIS FOR THE LACK OF CONSOLIDATION

Currently, ATM S.A. does not have any subsidiaries – and thus it does not form a capital group. On the day of publication of this report, the Issuer held shares representing 21.02% of the share capital of Linx Telecommunications Holding B.V. The results of this entity, as an associated company, are not consolidated at the operating level – they are accounted for according to the equity method. The Company recognises the share in the results of the associated entity in its results, while other comprehensive income of the associated entity is recognised in the Company's other comprehensive income. The amount of acquisition costs is adjusted by the change in share of the Company in net assets of the associated entity, after the acquisition date.
On 28 April 2016, Linx announced that on 27 April 2016 it concluded a Share Purchase Agreement (SPA) with CITIC Telecom International CPC Limited with its registered office in Hong Kong within the framework of which both entities agreed on the terms and conditions of sale of the telecommunications part of Linx Telecom Holding B.V. As at the publication date of this report, the Issuer had not been informed and Linx hand not announced whether the transaction had been finalised. Moreover, according to Current Report No 13/2016 of 31 March 2016, Linx capital group, with Linx Telecommunications Holding B.V. as its dominant entity, changed its capital structure as a result of preparations for the finalisation of the aforementioned transaction. Due to the fact that no financial parameters of the agreement were disclosed, the Issuer is unable to determine the potential impact of this transaction (if it is finalised) on the value of the shares held in Linx. In particular, the purpose of funds obtained by Linx if the transaction is finalised is also unknown. The Issuer will announce any material information on the said issue immediately after its receipt.

INFORMATION ON SHAREHOLDERS HAVING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE ISSUER'S GENERAL MEETING AS OF THE DATE OF SUBMISSION OF THE SEMI-ANNUAL REPORT AND INDICATION OF CHANGES IN THE OWNERSHIP STRUCTURE OF LARGE BLOCKS OF SHARES OF THE ISSUER IN THE PERIOD FROM THE SUBMISSION OF THE PREVIOUS PERIODIC REPORT

Shareholder	Number of shares held	Interest in share capital	Number of votes at the General Meeting	Share in the overall number of votes
MCI.PrivateVentures FIZ *	11,070,470	30.46%	11,070,470	30.46%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%	9,119,040	25.09%
Nationale-Nederlanden PTE ***	7,160,120	19.70%	7,160,120	19.70%
PKO BP Bankowy OFE ****	1,914,556	5.27%	1,914,556	5.27%

Shareholder	Number of shares according to the previous quarterly report	Number of shares according to the current semi-annual report	Change in the number of shares and number of votes
MCI.PrivateVentures FIZ	11,070,470	11,070,470	0
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	9,119,040	9,119,040	0
Nationale-Nederlanden PTE	7,160,120	7,160,120	0
PKO BP Bankowy OFE	1,914,556	1,914,556	0

**) jointly with subsidiaries. The number of shares as at 5 May 2016 based on the notification*
***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*
****) the number of shares as at 31 December 2014 based on the "Annual asset structure"*
*****) the number of shares as at 7 May 2015 based on the notification*

The number of shares is equal to the number of votes at the General Meeting.

SUMMARY OF CHANGES IN THE NUMBER OF ISSUER'S SHARES OR STOCK OPTIONS HELD BY THE ISSUER'S MANAGERS AND SUPERVISORS, IN ACCORDANCE WITH THE INFORMATION AVAILABLE TO THE ISSUER, SINCE THE SUBMISSION OF THE PREVIOUS PERIODIC REPORT

Name and surname	As at 13 May 2016	Increases	Decreases	As at September 30th, 2016
Sylwester Biernacki	709,171	33,672	-	742,843
Tomasz Galas	-	-	-	-
Robert Zaklika	-	-	-	-
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych *	9,119,040	-	-	9,119,040

***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*

PURCHASE OF TREASURY SHARES

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

2. DESCRIPTION OF THE ISSUER'S ACHIEVEMENTS, RISK FACTORS AND DEVELOPMENT PROSPECTS

DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS OR FAILURES DURING THE REPORTING PERIOD

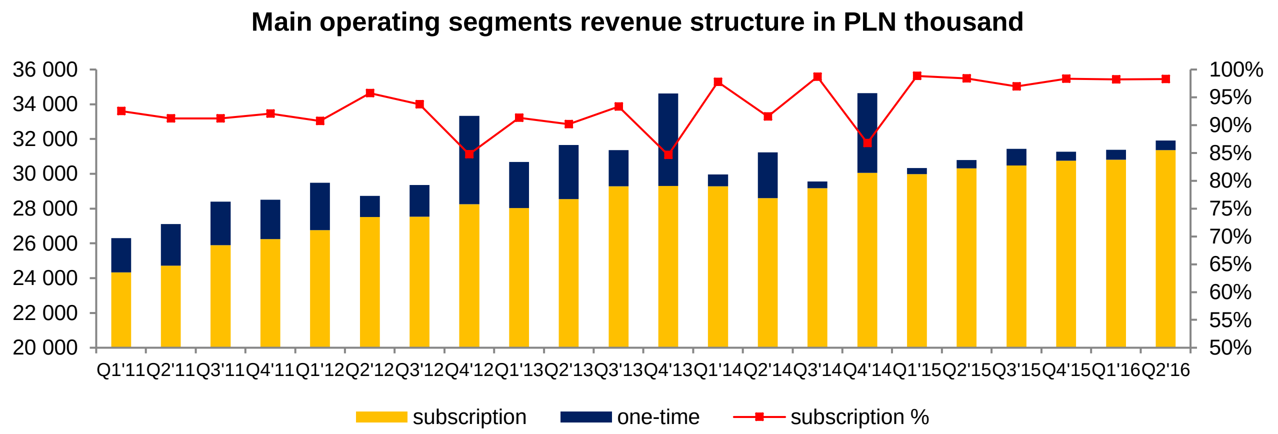
Operating and financial results

In the second quarter of 2016, the Issuer maintained or slightly improved the growth rate of revenue (from core operating segments) and sales margin as compared to the preceding quarter. As a result, the pace of growth at the level of operating profit and EBITDA is also better that in the first quarter of this year. Considering the entire first half of 2016, all key items reflecting the financial results of operating activities have improved in relation to the first half of 2015, some by more than 10% (+ 4–5% y/y in terms of revenue and sales margin, +12% y/y for EBITDA).

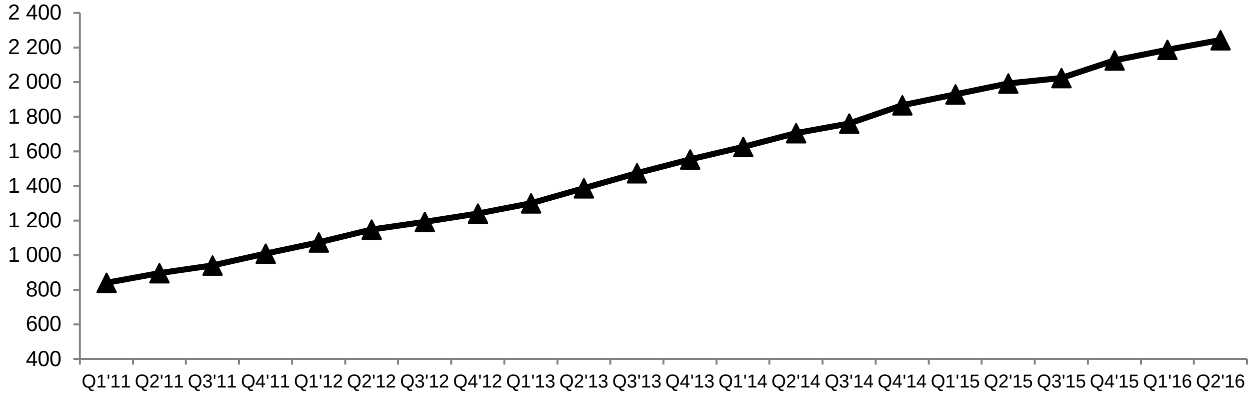
When analysing ATM's performance in the past quarter and half year, one should pay attention to the following points:

- subscription revenue represented almost 100% of total revenue from core segments;
- profitability of sales in core segments improved in the second quarter by 0.8 p.p. q/q and by 2.5 p.p. y/y – this situation is attributable to both the increasing profitability of the Data Center Services Segment and halting the decrease in profitability in the Telecommunications Services Segment;
- fixed costs (except depreciation and amortisation) for the entire first half of 2016 were maintained at a similar level to the corresponding period of the previous year (despite the burden on the remuneration budget associated with severance payments and other costs of personnel reorganisation).

A more detailed discussion of results in particular operating segments is presented further below, while the graphs below show quarterly sales in the core operating segments and the systematically growing number of customers invoiced by ATM:



Number of invoiced customers per quarter

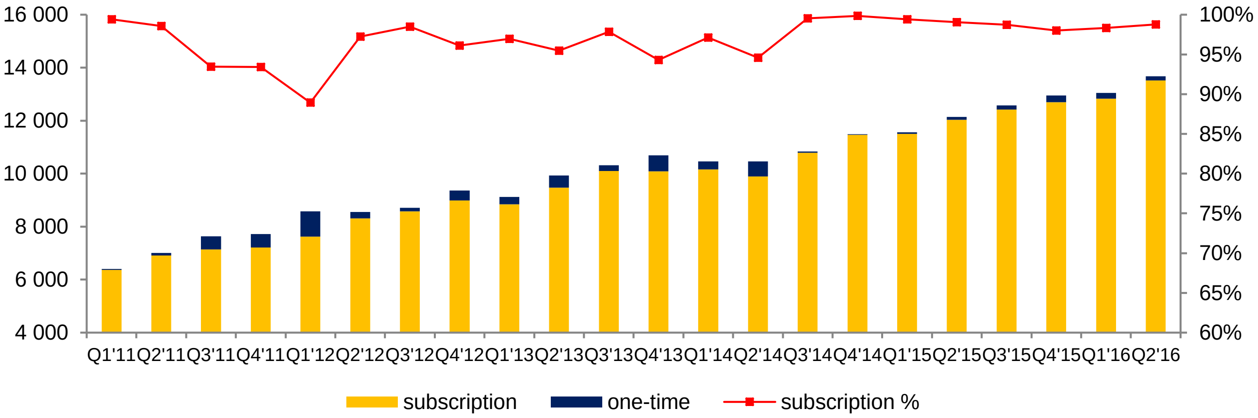


Data Center Services Segment

Starting with the report for the first half of 2015, the Issuer has decided to present the data relating to operating segments in such a way that the revenue and costs of the Data Center Services Segment do not include the revenue and costs of telecommunications services associated with data center services, which are now shown in full under the Telecommunications Services Segment. The Issuer also shows, as a separate item, the value of revenue from the Telecommunications Services Segment, which is correlated with data center services (e.g. sale of Internet access service as an add-on to a collocation service). To enable comparability and further analysis of the results, the results for the Data Center Services Segment are shown below with past figures recalculated according to the methodology described above:

figures in PLN thousand	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Revenue from the Data Center Services Segment	10,459	10,458	10,834	11,487	11,567	12,147	12,574	12,951	13,044	13,681
Revenue from the Telecommunications Services Segment associated with data center services	4,845	4,953	5,253	5,268	5,181	5,207	5,545	5,187	4,962	5,237
Total	**15,304**	**15,410**	**16,088**	**16,755**	**16,748**	**17,355**	**18,119**	**18,138**	**18,006**	**18,918**

Revenues from data center services segment [PLN thousand]



In the second quarter of this year, the Issuer continued to record increased revenue and sales margin in the Data Center Services Segment. The relatively slow pace of growth of revenue in the first quarter (+1% q/q) was markedly improved in the second quarter (+5% q/q) owing to:

- continued extension of cooperation with the existing customers and attracting new middle-sized customers (in reference to services such as lease of space in collocation cabinets, or boxes) – this part of revenue increased in the second quarter of 2016 by 5% q/q;
- increase in the space used by the biggest customers (in reference to the Data.Room service), which translated into a quarterly increase in revenue generated by such customers by 1%;
- systematic growth in revenue from the lease of dedicated servers (ATMAN EcoSerwer) – in the second quarter of 2016, an 11% q/q growth rate was recorded.

The aforementioned developments translated into an increase in the occupied net collocation space to the level of approx. 4,000 m^2 (+9% y/y) as at the end of the first half of 2016.

Another noteworthy achievement of the Company in the past quarter was winning the contract for services associated with the strategic P1 project, i.e. the Electronic Platform for Collection, Analysis and Sharing of Digital Medical Records (project implemented for the Centre of Health Information Systems). The signed agreement provides for collocation of infrastructure in two Warsaw-based ATAMAN data centers and configuration of encrypted links as well as supply of an antiDDoS system for protection against cyber-attacks. Monthly revenue has been estimated by the Company at over PLN 110 thousand and the provision of services is scheduled to commence in the last quarter of this year.

The Issuer's reduction in the purchase price of energy at the beginning of the year was a very important factor contributing to a slowdown in the growth of revenue in the first half of 2016 (which, however, did not influence the margin). This situation occurred because the cost of energy represents a significant component of the price for collocation services (it is directly transferred to the customers). This is reflected by a comparison of the pace of growth of the sales margin with the pace of growth of the segment's revenue, i.e. +21% y/y and +13% y/y, respectively. The phenomenon is also one of the reasons for growing sales profitability of the segment, which exceeded 71% in the second quarter of this year. The segment's EBITDA increased by 25% y/y and accounted for almost 67% of the total EBITDA profit of ATM for the second quarter of this year.

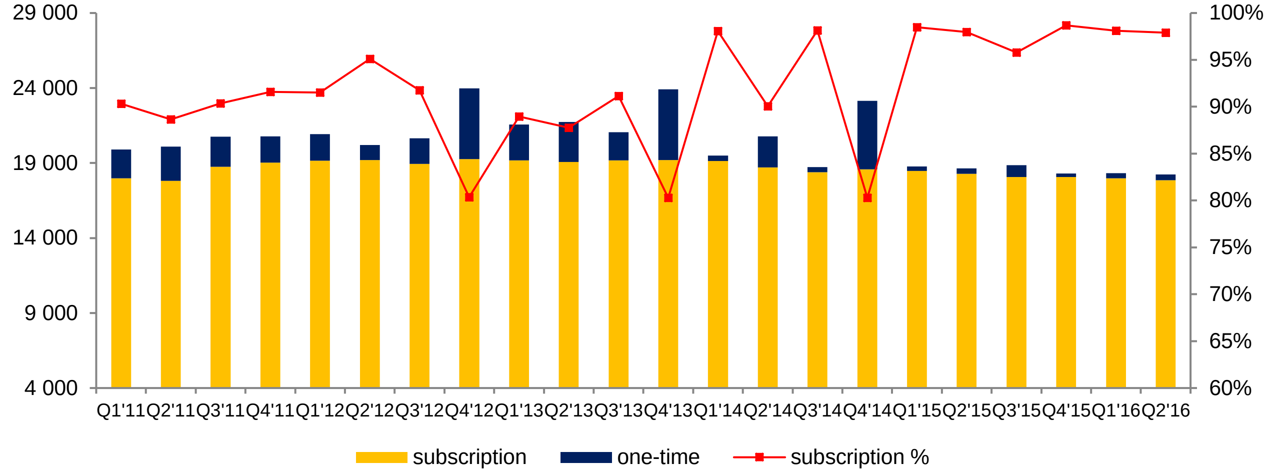
The number of invoiced counterparties increased in the described segment by 18% y/y, with no change in the sectoral structure (finance, telecommunications and IT jointly account for almost 75% of revenue) in comparison with the preceding periods.

Telecommunications Services Segment

Presented below are the results of the Telecommunications Services Segment, with past figures restated according to the methodology described in the section on the Data Center Services Segment (see the previous section for explanation):

figures in PLN thousand	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Revenue from the Telecommunications Services Segment Total	**19,505**	**20,772**	**18,734**	**23,148**	**18,762**	**18,650**	**18,860**	**18,302**	**18,330**	**18,237**
of which: subscription revenue	19,131	18,704	18,388	18,584	18,476	18,274	18,064	18,061	17,981	17,855

Revenues from telecommunications services segment [PLN thousand]



In the second quarter of this year, the Telecommunications Services Segment maintained the trends observed in preceding periods. The following can be noticed:

- total revenue for the segment is maintained at a similar level;
- revenue from transmission services (almost 2/3 share in the entire segment), which have recorded, on average, quarterly decreases of 1–2% since the beginning of 2014, is displaying a downward trend. The above situation is the result of pressure on unit prices and ARPU, which the Issuer was unable to compensate, despite the systematic increase in the number of customers and services sold;
- revenue from Internet access services (1/3 share in total subscriptions in the segment) are slowly growing – since the beginning of 2015, the Issuer has recorded, on average, 1% quarterly increases in revenue (slower decrease in ARPU, fast increase in the number of connected locations and stimulating influence of simultaneously sold collocation services) in this category;
- lack of significant revenues from sources other than subscription services (the Issuer explained the nature of this situation in detail in previous periodical reports).

Analysis of sales profitability is still a key factor in the context of assessing the results of the Telecommunications Services Segment. The past quarter saw only a slight decrease in profitability as compared to the first quarter (44.1% vs. 44.4%), which means that the measures taken by the Company, as described in previous periodical reports, are effective. As a consequence of maintaining a steady level of sales profitability in the period under analysis, the Telecommunications Services Segment generated a sales margin with a similar value to the preceding two quarters (PLN 8.1 million). The segment's EBITDA did not change significantly as compared to the first quarter (PLN 3.2 million) and accounted for approx. 33% of the total EBITDA profit of the Issuer.

The total number of customers handled by this segment increased in the second quarter of 2016 by 9% y/y, while the share of the telecommunications segment's customers remained at the level of just below 50%.

The Issuer's net profit was positively affected by the good operating results of the associate Linx Telecommunications B.V. (PLN 1.5 million). Although Linx recorded a slight decrease in revenue and EUR-denominated EBITDA profit in the first half of 2016 as compared to the first half of 2015, one should take account of the fact that this coincided with adverse movements in the rouble exchange rate in comparable periods (weakening of the average exchange rate by approx. 21%).

AMOUNTS AND TYPES OF ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET FINANCIAL RESULT OR CASH FLOWS WHICH ARE ATYPICAL DUE TO THEIR TYPE, SIZE OR FREQUENCY. DESCRIPTION OF ATYPICAL FACTORS AND EVENTS WHICH MATERIALLY AFFECT THE CONDENSED FINANCIAL STATEMENTS

No atypical factors or events occurred which might materially affect the financial results achieved by the Company.

RISK FACTORS

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

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

Due to the current geopolitical environment, an additional risk factor for the following quarters in the context of the Issuer's total income (through the impact of the results and goodwill of the associated company — Linx Telecommunications B.V. on it) will be the economic situation in Russia and its potential impact on functioning of Linx on this market. Further devaluation of the rouble against the euro may have a particularly significant impact.

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 its management team. 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 services and solutions offered 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 experience shows 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 related to forecasts and planning

Risk related to forecasts and planning involves the danger that the forecasts underlying the investment decisions on the data centre 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 connected 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) may have a negative impact on the Company's financial results in the future. Possible consolidation processes on 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.

INFORMATION ON FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT ITS PERFORMANCE DURING AT LEAST THE NEXT QUARTER

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 which creates conditions for constant increase in demand for the services provided by the Issuer in the area of data transmission for companies and institutions, as well as data center (collocation) services.

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

- digitisation of companies – increasing demand for data computing power and storage space (also in relation to the so-called Big Data),
- 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, the Internet of Things,
- tangible benefits of locating own equipment in close proximity of the 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 for 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 inclination 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 by preparing further modules of the ATMAN and Thinx Poland data centers for sale, including through the ATM Innovation Center Project finalised in 2015. The high pace of sales of the collocation space offered will strengthen ATM's leading position on the domestic data center market and will bring a tangible result in the increase of revenue and profits in the next financial periods.

After the investment projects completed in 2015, the Company currently has over 8 thousand m^2 of net collocation space, 50% of which is utilised by customers. In addition, the Company can relatively quickly increase the supply of space with additional 1.5 thousand m^2 net, by expanding the DC localised at Konstruktorska in Warsaw.

The results achieved by the Issuer in the first half of 2016 are nearly entirely based on the recurring stream of revenue, which means that they should be improved regularly in subsequent periods. The dynamics of this growth will substantially depend on 2 factors:

- the EBITDA growth rate in the Data Center Services Segment which, in turn, will be closely correlated with the rate of commercialisation of the collocation space and sales of products based on the data center infrastructure (e.g. dedicated servers, cloud, backup offices). The strategic objective of the Issuer is to strengthen its position of a leader in the data center market in Poland and to build a position of an important player in this segment in the European market. The dynamics of this process depends strongly on market developments and growth in the demand for collocation services in Poland and abroad as well as the
- situation in the Telecommunications Services Segment where the main challenge is to halt the decline in subscription revenue and profitability and maximise the utilisation of potential of the network infrastructure developed over the recent years. Investments in city and intercity optical networks completed in previous years – combined with a systematic increase in the number of served business locations – should contribute to the stabilisation of revenue from broadband data transmission and traffic exchange on the Internet, while at the same time acting as a catalyst for growth of collocation revenue (proper high quality lines increase the attractiveness of data center offers).

Risk associated with the level of demand for the Issuer's services is the main factor which might have a negative impact on its future results. All circumstances known to the Company – including those mentioned above – indicate that the Polish data center market still has not reached its expected growth phase. An argument for this view is provided by a comparison of the scale and degree of development of the data center markets in Western Europe and the USA with that of Poland. The significant gaps here should rapidly close in the coming years.

Due to the geopolitical environment, the impact of any potential worsening of the business conditions in Russia – including the devaluation of the rouble against the euro – will be an additional risk factor for the following quarters in the context of the Issuer’s total income (through the impact on the results of the associated company – Linx Telecommunications Holding B.V.).

POSITION OF THE MANAGEMENT BOARD REGARDING THE VIABILITY OF ACHIEVING PREVIOUSLY PUBLISHED FORECAST RESULTS FOR A PARTICULAR YEAR, TAKING INTO ACCOUNT THE RESULTS PRESENTED IN THE SEMI-ANNUAL REPORT VERSUS PROJECTED RESULTS

The Company did not publish any forecasts for 2016.

3. OTHER INFORMATION

INFORMATION CONCERNING THE CONCLUSION BY THE ISSUER OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH RELATED UNDERTAKINGS IF CONCLUDED UNDER NON-MARKET CONDITIONS

During the reporting period, the Issuer did not conclude any transactions with related entities under non-market conditions.

INFORMATION ON PENDING PROCEEDINGS BEFORE COURT, ARBITRATION PANEL OR PUBLIC ADMINISTRATION BODY

There are no proceedings before court, arbitration body or public administration body concerning liabilities or receivables of the Issuer the value of which would constitute at least 10% of the Issuer’s equity.

INFORMATION ON GRANTING BY THE ISSUER OR ISSUER’S SUBSIDIARY OF A LOAN OR BORROWING SURETY OR A GUARANTEE, IF THE TOTAL VALUE OF THE EXISTING SURETIES OR GUARANTEES IS EQUAL TO AT LEAST 10% OF THE ISSUER’S SHAREHOLDERS’ EQUITY

During the reporting period, no loan or borrowing sureties or guarantees that would in total exceed 10% of the Issuer’s equity were extended by the Issuer.

OTHER INFORMATION CONSIDERED BY THE ISSUER AS IMPORTANT IN THE ASSESSMENT OF THE ISSUER’S PERSONNEL, ASSET AND FINANCIAL STANDING, FINANCIAL RESULT AND CHANGES TO SUCH ITEMS; INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER’S ABILITY TO FULFIL OBLIGATIONS

The Company has a stable personnel, asset and financial position. There are no known factors that could adversely affect the Issuer’s ability to meet its obligations.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sylwester Biernacki	President of the Management Board	30 September 2016	....
Robert Zaklika	Vice-President of the Management Board	30 September 2016	....
Tomasz Galas	Vice-President of the Management Board	30 September 2016	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	30 September 2016	....

STATEMENT OF THE MANAGEMENT BOARD

Under Decree of the Minister of Finance dated 19 February 2009 on current and periodic information issued by the issuers of securities, the Management Board of ATM S.A. declares that, to its best knowledge, these interim condensed financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and they give a correct, true and fair view of the asset and financial situation of ATM S.A. and its financial performance.

Moreover, the Management Board represents that the report on operations of ATM S.A. presents a true view of the Issuer's development, achievements and standing, including a description of the basic threats and risk.

These interim condensed financial statements have been drawn up in accordance with the accounting principles compliant with International Financial Reporting Standards ("IFRS") as approved by the European Union and to the extent required by the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information submitted by the issuers of securities (Journal of Laws No 33 item 259, as amended). The statements cover the period from 1 January until 30 June 2016.

The Management Board declares that the entity authorised to audit and review the financial statements, which reviewed the interim financial statements, was selected pursuant to applicable laws, and that this entity as well as the statutory auditors who reviewed these statements fulfilled the conditions for issuing an impartial and independent review report, pursuant to applicable regulations and standards of the profession. In accordance with the corporate governance rules adopted by the Management Board, the statutory auditor was selected by the Supervisory Board of the Company on 12 July 2016. The Supervisory Board made the above-mentioned selection, taking into consideration ensuring the complete independence and objectivity for the said selection and the tasks performance by the statutory auditor.

President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board
Sylwester Biernacki	Robert Zaklika	Tomasz Galas
Warsaw, 30 September 2016	Warsaw, 30 September 2016	Warsaw, 30 September 2016

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.

INDEPENDENT STATUTORY AUDITOR REPORT
ON THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD
FROM 1 JANUARY 2016 TO 30 JUNE 2016

For the General Meeting of ATM S.A.

Introduction

We have reviewed the attached condensed interim financial statements of ATM S.A. ("Company") with its registered office in Warsaw, at Grochowska 21A, drawn up as at 30 June 2016 ("condensed interim financial statements") which comprise:

- condensed interim statement of comprehensive income for the six months ended 30 June 2016;
- condensed interim income statement for the six months ended 30 June 2016;
- condensed interim statement of financial position as at 30 June 2016;
- condensed interim statement of changes in equity for the six months ended 30 June 2016;
- condensed interim cash flow statement for the six months ended 30 June 2016; and
- explanatory notes to the condensed interim financial statements.

Compliance of these condensed interim financial statements with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as approved by the European Union ("IAS 34") and with other regulations in force is the responsibility of the Management Board and the Supervisory Board of the Company. Our responsibility was to perform a review of the financial statements.

Scope of review

We have reviewed the financial statements in accordance with the provisions of Polish financial auditing standards issued by the National Chamber of Statutory Auditors. These standards require that we plan and conduct the review so as to obtain reasonable assurance that the condensed interim financial statements are free of material misstatements.

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.
with its registered office in Warsaw (00-764) at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96
District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register
KRS No 0000484251, REGON (Statistical ID No) 146949930, NIP (Tax ID No) 9512373424

The review was conducted primarily by analysing the condensed interim financial statements, reviewing books of account and using information obtained from the management and the staff responsible for Company's finances and accountancy.

The scope and method of reviewing the condensed interim financial statements are significantly different from the audits forming the basis for expressing an opinion on compliance of annual financial statements with applicable accounting principles (policies) and on the accuracy and clarity of such statements; therefore, we are unable to issue such an opinion regarding the attached financial statements.

Conclusion

Based on our review, nothing has come to our attention that would cause us to believe that the condensed interim financial statements of ATM S.A. as at 30 June 2016 were not drawn up, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as approved by the European Union.

On behalf of Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.
Registration No 3887
Jana III Sobieskiego 104, apt. 49
00-764 Warsaw

/illegible signature/
Maciej Kozysa
Key Statutory Auditor
Registration No 12005
General Partner's Management Board Member

/illegible signature/
Kamil Walczuk
General Partner's Management Board Member

30 September 2016

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.
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