



**Quarterly report of ATM S.A.
for the third quarter of 2017**



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KEY INFORMATION REGARDING QUARTERLY REPORT

This quarterly report covers information prepared pursuant to § 86 item 1 and § 87 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: 29 November 2017

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 56 100

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

SELECTED FINANCIAL DATA

	<u>30/09/2017</u>	<u>30/09/2016</u>	<u>30/09/2017</u>	<u>30/09/2016</u>
	<u>in PLN thousand</u>		<u>in EUR thousand</u>	
Total sales revenue	99,835	99,004	23,454	22,662
Revenue from core operating segments	97,733	95,201	22,960	21,791
Sales margin	57,327	53,106	13,468	12,156
EBITDA *	32,441	27,754	7,621	6,353
Operating profit *	13,350	10,369	3,136	2,373
Profit before tax	21,107	7,254	4,959	1,660
Net profit on continuing operations	17,897	5,833	4,204	1,335
Comprehensive income	15,090	7,100	3,545	1,625
Net cash from operating activities	21,893	22,613	5,143	5,176
Net cash from investing activities	(8,679)	(19,231)	(2,039)	(4,402)
Net cash from financing activities	(11,279)	(3,432)	(2,650)	(786)
Increase (decrease) in cash	1,935	(51)	455	(12)

	<u>30/09/2017</u>	<u>31/12/2016</u>	<u>30/09/2017</u>	<u>31/12/2016</u>
Fixed assets	380,357	381,148	88,268	86,155
Current assets	27,195	18,469	6,311	4,175
Total assets	407,552	399,617	94,579	90,329
Long-term liabilities	128,765	122,065	29,882	27,592
Short-term liabilities	39,027	52,881	9,057	11,953
Equity	239,760	224,670	55,640	50,784
Share capital **	34,723	34,723	8,058	7,849
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (in PLN/EUR)	6.60	6.18	1.53	1.40

*) Starting from the Annual Report for 2016, the Issuer presents a portion of subsidy received to finance fixed assets (ATM Innovation Centre Project) attributable to a given financial period below the operating profit (and, consequently, below EBITDA). As a result of the aforementioned change, revenue from the subsidy is not credited to the operating profit and EBITDA, as was the case in previous periodical reports of the Issuer. Comparative data for the first three quarters of 2016 were restated accordingly.

**) The share capital was restated in accordance with IAS 29.

The above financial data for the third quarter of 2017 and 2016 were converted to EUR in accordance with the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.3091 as published by the National Bank of Poland on 30 September 2017;
- particular items of the profit and loss account and the statement of cash flows were converted at the EUR/PLN 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 September 2017, amounting to 4.2566, and from 1 January until 30 September 2016, amounting to 4.3688.

The financial figures for 2016 were converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.4240 as published by the National Bank of Poland on 31 December 2016.



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

A. CONDENSED FINANCIAL STATEMENTS OF ATM S.A. FOR THE THIRD QUARTER OF 2017

1. CONDENSED INTERIM INCOME STATEMENT

	For the period 01/01– 30/09/2017	For the period 01/07– 30/09/2017	For the period 01/01– 30/09/2016	For the period 01/07– 30/09/2016
Continuing operations				
Sales revenue	99,835	33,399	99,004	32,941
of which: revenue from core operating segments	97,733	32,704	95,201	31,909
Cost of sales (variable)	42,507	14,051	45,898	15,157
Sales margin *	57,327	19,349	53,106	17,784
Other operating revenue	192	59	62	3
General and administrative expenses **	43,629	15,692	42,621	14,158
Other operating expenses	540	54	178	41
Operating profit (loss) **	13,350	3,662	10,369	3,588
Share in the financial result of entities valued using the equity method ***	6,941	(2,862)	1,481	(22)
Revenue from subsidiaries **	1,166	389	1,166	389
Financial revenue ****	7,900	2,974	31	2
Financial expenses *****	8,249	(2,053)	5,793	1,088
Profit (loss) before tax	21,107	6,216	7,254	2,869
Income tax	3,210	825	1,421	479
Net profit (loss) on continuing operations	17,897	5,391	5,833	2,390
Net profit (loss)	17,897	5,391	5,833	2,390
Profit (loss) per share				
On continuing operations:				
Ordinary	0.49	0.15	0.16	0.07
Diluted	0.49	0.15	0.16	0.07
On continuing and discontinued operations:				
Ordinary	0.49	0.15	0.16	0.07
Diluted	0.49	0.15	0.16	0.07
EBITDA **	32,441	10,467	27,754	9,608

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.

**) Starting from the Annual Report for 2016, the Issuer presents a portion of subsidy received to finance fixed assets (ATM Innovation Centre Project) attributable to a given financial period below the operating profit (and, consequently, below EBITDA). As a result of the aforementioned change, revenue from the subsidy is not credited to the operating profit and EBITDA, as was the case in previous periodical reports of the Issuer. Comparative data for the first three quarters of 2016 were restated accordingly. Moreover, starting from the periodical report for the first quarter of 2017, the Issuer presents all expenses of a fixed or relatively fixed nature (so-called overheads, i.e. expenses not related directly to the amount of revenue) under a single item: "General and administrative expenses". In previous periodical reports, a portion of these expenses was disclosed under a separate item: "Cost of sales (fixed)". The change results



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

from the need to adapt the structure of periodical reports to the current structure of management reports applicable at the Company. Comparative data for the first three quarters of 2016 were restated accordingly.

***) 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.

****) For the first three quarters of 2017, this item includes income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. (2 tranches in total: PLN 4.7 million in the first quarter of 2017 and PLN 3 million in the third quarter of 2017).

*****) This item includes costs of PLN 4.1 million associated with the revaluation of shares in associated entity Linx Telecommunications Holding B.V. to the value disclosed in the Issuer's books of account as at the end of 2016.

2. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01– 30/09/2017	For the period 01/07– 30/09/2017	For the period 01/01– 30/09/2016	For the period 01/07– 30/09/2016
Net profit (loss)	17,897	5,390	5,833	2,390
Other comprehensive income that will not be reclassified to profit or loss	(2,807)	(341)	1,267	144
Effects of revaluation of fixed assets	-	-	-	-
Actuarial gains or losses	-	-	-	-
Share in other comprehensive income of associated entities	(2,807)	(341)	1,267	144
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	15,090	5,049	7,100	2,534



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

3. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

	<u>End of period</u> <u>30/09/2017</u>	<u>End of period</u> <u>30/09/2016</u>	<u>End of period</u> <u>31/12/2016</u>
Fixed assets	380,357	387,021	381,148
Goodwill	-	-	-
Intangible assets	7,675	2,932	7,250
Tangible fixed assets	331,143	330,354	332,522
Investments in associates consolidated using the equity method	41,073	53,468	41,073
Investments in subsidiaries	-	-	-
Deferred income tax assets	-	-	-
Other fixed assets	466	267	303
Current assets	27,195	20,460	18,469
Inventories	-	1,015	816
Financial assets held for trading	38	54	50
Trade and other receivables *	21,843	14,648	14,309
Income tax receivables	57	57	57
Other current assets	1,548	2,919	1,463
Other financial receivables	-	-	-
Cash and cash equivalents	3,709	1,767	1,774
Total assets	407,552	407,481	399,617

****) As at 30 September 2017, this item includes income of PLN 3 million from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. dated 12 September 2017



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

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

	<u>End of period</u> <u>30/09/2017</u>	<u>End of period</u> <u>30/09/2016</u>	<u>End of period</u> <u>31/12/2016</u>
Equity	239,760	238,899	224,670
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	61,144	61,144
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	20,157	19,297	5,068
Long-term liabilities	128,765	78,231	122,065
Long-term loans and borrowings	104,606	50,297	101,034
Provision for deferred tax	3,318	4,316	1,312
Provisions for liabilities	-	-	-
Long-term trade and other liabilities	13,878	16,058	15,126
Other financial liabilities	6,963	7,560	4,593
Short-term liabilities	39,027	90,351	52,881
Bank loans and borrowings	14,542	74,953	20,727
Provisions for liabilities	-	-	-
Income tax liability	98	120	424
Trade and other liabilities	20,433	11,500	26,404
Other financial liabilities	3,954	3,779	5,327
of which: dividends payable	-	-	-
Total equity and liabilities	407,552	407,481	399,617



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

5. CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Reserve capital</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 1 January 2017	34,723	123,735	-	61,144	5,068	224,670
Increases:						
Current period result	-	-	-	-	17,897	17,897
Share in other comprehensive income of associated entities	-	-	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	-	-	-
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	-	-
Dividend payout	-	-	-	-	-	-
Share in other comprehensive income of associated entities	-	-	-	-	2,807	2,807
As at 30 September 2017	34,723	123,735	-	61,144	20,157	239,760



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

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Reserve capital</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 1 January 2016	34,723	123,735	-	55,504	17,837	231,799
Increases:						
Current period result	-	-	-	-	5,833	5,833
Share in other comprehensive income of associated entities	-	-	-	-	1,267	1,267
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 payout	-	-	-	-	-	-
As at 30 September 2016	34,723	123,735	-	61,144	19,297	238,899



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

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Reserve capital</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 1 January 2016	34,723	123,735	-	55,504	17,837	231,799
Increases:						
Share in other comprehensive income of associated entities	-	-	-	-	2,662	2,662
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	5,640	-	5,640
Decreases:						
Current period result	-	-	-	-	9,791	9,791
Profit distribution to be allocated to reserve capital	-	-	-	-	5,640	5,640
Dividend payout	-	-	-	-	-	-
As at 31 December 2016	34,723	123,735	-	61,144	5,068	224,670



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

6. CONDENSED INTERIM CASH FLOW STATEMENT

	For the period 01/01– 30/09/2017	For the period 01/01– 30/09/2016
Operating activities	26,024	22,613
Profit (loss) before tax	21,107	7,254
Adjustments by:	4,917	15,359
Share in the profit or loss of equity-accounted entities	(6,941)	(1,481)
Depreciation and amortisation	19,091	17,386
Foreign exchange differences	160	(6)
Interest received	-	(1)
Interest paid	3,418	3,040
Dividends received	(4,672)	-
(Gains) losses on investing activities	306	61
Change in inventories	816	36
Change in receivables	(7,534)	(1,196)
Change in liabilities and provisions *	(3,269)	(1,780)
Change in other assets	7,026	(285)
Income tax paid	(1,531)	(927)
Other	(1,954)	1,512
Investing activities	(12,810)	(19,231)
Expenditure on purchase of tangible fixed assets	(18,896)	(19,357)
Expenditure on purchase of financial assets	-	-
Proceeds from sale of tangible fixed assets	1,402	118
Repayments of long-term borrowings granted	12	13
Borrowings granted	-	-
Proceeds from sales of financial assets	-	-
Interest received	-	-
Dividends received	4,672	-
Foreign exchange differences	-	(5)
Other	-	-
Financing activities	(11,279)	(3,432)
Net proceeds from issue of shares and other capital contributions	-	-
Subsidies received	-	120
Proceeds from loans and borrowings	1,465	18,370
Repayments of loans and borrowings	(5,088)	(14,221)
Purchase of treasury shares	-	-
Payment of liabilities arising from finance leases	(4,078)	(4,672)
Dividends paid	-	-
Interest received	-	-
Interest paid	(3,418)	(3,040)
Other profit-sharing	-	-
Foreign exchange differences	(160)	11
Other (division adjustment)	-	-
Change in cash	1,935	(51)
Opening balance of cash	1,774	1,817
Closing balance of cash	3,709	1,767

*) The item "Change in liabilities and provisions" does not comprise a change in liabilities in respect of investment purchases; the change in such liabilities is reported in the item "Expenses on tangible fixed assets purchases".



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

ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (POLICY)

The interim condensed financial statements for the third quarter ended 30 September 2017 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 September 2017.

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 2017.

In 2017, 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 2017. 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 2016, including notes for the 12 months ended 31 December 2016, 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 2016 were the last financial statements audited by an independent statutory auditor.

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 2016.

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 September 2017 and as at 30 September 2016 and 31 December 2016, as well as the results of its operations in the period of 3 and 9 months ended 30 September 2017 and 30 September 2016.



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

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 period from 1 January 2017 to 30 September 2017:

	<u>Data Center Services Segment</u>	<u>Telecommunications Services Segment</u>	<u>Other</u>	<u>Total</u>
Fixed assets	167,255	168,861	44,241	380,357
Sales revenue	43,411	54,322	2,102	99,835
Cost of sales (variable)	13,097	27,426	1,984	42,507
Sales margin	30,314	26,896	117	57,327
Fixed costs	22,889	20,740	-	43,629
of which: depreciation and amortisation	11,326	7,764	-	19,091
Other net operating revenue and costs	(180)	(168)	-	(348)
Operating profit (loss)	7,244	5,988	117	13,350
EBITDA	18,571	13,752	117	32,441
Revenue from subsidies	1,166	-	-	1,166
Net financial revenue and expenses	-	-	-	6,592
Profit (loss) before tax	-	-	-	21,107
Income tax	-	-	-	3,210
Net profit (loss)	-	-	-	17,897

Company's results broken down by operating segments in the period from 1 January 2016 to 30 September 2016:

	<u>Data Center Services Segment</u>	<u>Telecommunications Services Segment</u>	<u>Other</u>	<u>Total</u>
Fixed assets	168,396	163,331	55,295	387,021
Sales revenue	40,808	54,393	3,803	99,004
Cost of sales (variable)	11,765	30,371	3,761	45,898
Sales margin	29,042	24,022	42	53,106
Fixed costs	20,729	21,892	-	42,621
of which: depreciation and amortisation	9,792	7,594	-	17,386
Other net operating revenue and costs	(51)	(66)	-	(116)
Operating profit (loss)	8,262	2,065	42	10,369
EBITDA	18,054	9,660	42	27,754
Revenue from subsidies	1,166	-	-	1,166
Net financial revenue and expenses	-	-	-	(4,281)
Profit (loss) before tax	-	-	-	7,254
Income tax	-	-	-	1,421
Net profit (loss)	-	-	-	5,833



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

Company's results broken down by operating segments in the third quarter of 2017:

	<u>Data Center Services Segment</u>	<u>Telecommunications Services Segment</u>	<u>Other</u>	<u>Total</u>
Fixed assets	167,255	168,861	44,241	380,357
Sales revenue	14,586	18,118	695	33,399
Cost of sales (variable)	4,419	8,956	676	14,051
Sales margin	10,167	9,162	19	19,349
Fixed costs	8,613	7,079	-	15,692
of which: depreciation and amortisation	4,083	2,723	-	6,806
Other net operating revenue and costs	(24)	29	-	5
Operating profit (loss)	1,530	2,112	19	3,662
EBITDA	5,613	4,835	19	10,467
Revenue from subsidies	389	-	-	389
Net financial revenue and expenses	-	-	-	2,165
Profit (loss) before tax	-	-	-	6,216
Income tax	-	-	-	825
Net profit (loss)	-	-	-	5,391

Company's results broken down by operating segments in the third quarter of 2016:

	<u>Data Center Services Segment</u>	<u>Telecommunications Services Segment</u>	<u>Other</u>	<u>Total</u>
Fixed assets	168,396	163,331	55,295	387,021
Sales revenue	14,083	17,826	1,032	32,941
Cost of sales (variable)	4,162	9,988	1,007	15,157
Sales margin	9,921	7,839	25	17,785
Fixed costs	6,932	7,226	-	14,158
of which: depreciation and amortisation	3,435	2,586	-	6,021
Other net operating revenue and costs	(17)	(21)	-	(38)
Operating profit (loss)	2,972	592	25	3,588
EBITDA	6,406	3,178	25	9,608
Revenue from subsidies	389	-	-	389
Net financial revenue and expenses	-	-	-	(1,108)
Profit (loss) before tax	-	-	-	2,869
Income tax	-	-	-	479
Net profit (loss)	-	-	-	2,390

The geographical breakdown of sales revenue is as follows:

<u>Sales revenue</u>	<u>For the period 01/01–30/09/2017</u>	<u>For the period 01/07–30/09/2017</u>	<u>For the period 01/01– 30/09/2016</u>	<u>For the period 01/07– 30/09/2016</u>
Domestic customers	91,009	30,278	90,206	30,031
Foreign customers	8,826	3,121	8,798	2,910
Total sales revenue	99,835	33,399	99,004	32,941

In the above table, the item “foreign customers” includes only sales to foreign-registered customers. This category does not include sales to foreign users for whom services are provided through a Polish-registered entity. In addition, from the beginning of 2017 (following the implementation of a new ERP system), the Company improved the customer classification mechanism, particularly in relation to the Issuer’s customers who operate as Polish-registered branches of foreign entities and to customers whose legal status was changed to a domestic entity. Comparative data for the first three quarters of 2016 were restated accordingly.

3. INVENTORIES REVALUATION WRITE-DOWNS REDUCING THE VALUE TO NET REALISABLE VALUE

By 30 September 2017, the Company did not recognise any revaluation write-downs on inventories.

4. REVALUATION WRITE-DOWNS ON FIXED ASSETS

The Company did not recognise any revaluation write-downs on fixed assets in the period from 1 January 2017 to 30 September 2017, save for a write-down on the value of shares in an associated undertaking Linx Telecommunications Holding B.V., as referred to in note 5 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 for the end of 2016 and, therefore, the valuation as at 31 December 2016 is currently valid on the basis of available financial information.

5. RECOGNITION, INCREASE, UTILISATION AND REVERSAL OF PROVISIONS

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

6. DEFERRED INCOME TAX ASSETS AND PROVISIONS

	<u>Statement of financial position</u>		<u>Statement of comprehensive income</u>	
	<u>End of period 30/09/2017</u>	<u>End of period 31/12/2016</u>	<u>For the period 01/01– 30/09/2017</u>	<u>For the period 01/01– 30/09/2016</u>
Deferred tax provision				
Difference between the carrying amount and tax base of tangible fixed assets	9,331	7,677	1,654	642
Recognised service revenue	-	-	-	(12)
Receivable compensation	-	-	-	-
Accrued interest	6	6	-	-
Valuation of financial instruments	-	-	-	-
Subsidies received – settlement	-	-	-	-
Foreign exchange gains	-	-	-	-

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

Provision for deferred tax acquired as a result of a business combination	-	-	-	-
Gross deferred tax provision	9,337	7,683	1,653	630
Deferred tax assets				
Valuation of financial instruments	-	-	-	-
Difference between the carrying amount and tax base of tangible fixed assets	-	-	-	-
Deferred payment revenue	-	-	-	-
Revenue accounted for over time	-	-	-	-
Write-downs on inventories	480	469	(12)	(26)
Write-downs on receivables	287	280	(7)	(18)
Write-downs on financial assets	4,259	4,259	-	1
Provisions for service expenses	-	-	-	-
Provisions for employee benefits	-	-	-	-
Foreign exchange losses	125	-	(125)	-
Liabilities to the Social Insurance Institution (ZUS)	-	-	-	-
Liabilities to employees	-	-	-	-
Deferred income/expenses and accruals	797	1,276	478	(30)
Subsidies received	-	-	-	-
Effects of IRS valuation	71	88	17	84
Recognised interest	-	-	-	-
Deductible tax losses	-	-	-	-
Deferred tax assets acquired through a business combination	-	-	-	-
Gross deferred tax assets	6,019	6,371	351	11
Net tax assets (tax provision)	(3,318)	(1,312)	-	-
Deferred income tax charge against profit			2,004	641

7. SIGNIFICANT TANGIBLE FIXED ASSET SALES AND ACQUISITIONS

In the reporting period, the Company acquired fixed assets in the amount of PLN 18.6 million, including financed under finance lease agreements in the amount of PLN 4.9 million. The aforementioned amount concerns expenditure construed as an increase in the value of 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, apart from the aforementioned lease liabilities of PLN 4.9 million.

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.

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.



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

12. BANK LOANS AND BORROWINGS, AND LEASE LIABILITIES

Bank loans include:

1. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 52.25 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
2. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 52.25 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
3. investment loan for the period of 5 years (2017–2022), drawn in the amount of PLN 4.99 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
4. investment loan for the period of 5 years (2017–2022), drawn in the amount of PLN 4.99 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
5. overdraft facility, which revolves bi-annually, with a total limit of up to PLN 20 million, used as at the balance-sheet date up to the amount of PLN 5.45 million.

Other financial liabilities include finance lease agreements of the net total value of liabilities amounting to PLN 10.92 million as at the balance sheet date. The lease agreements are concluded primarily in order to refinance investment expenditures, and they are usually entered into for the period of 5 years.

13. DEFAULT ON A LOAN OR BORROWING

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

14. FINANCIAL ASSETS AT FAIR VALUE

As at 30 September 2017, 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.



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

FINANCIAL INSTRUMENTS	30/09/2017		31/12/2016	
	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	308	308	461	461
Other financial liabilities	-	-	-	-

FAIR VALUE HIERARCHY

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	30/09/2017
Derivative financial instruments — IRS contract hedging the interest rate risk in respect of the loan	level 2	308
Total		308

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

During the period ended 30 September 2017, 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. In 2015 and 2016, this phenomenon did not occur.

17. ISSUE, REDEMPTION AND REPAYMENT OF NON-SHARE EQUITY SECURITIES

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

18. DIVIDENDS PAID AND DECLARED

On 31 May 2017, the Ordinary Shareholders' Meeting adopted resolution on covering the Company's net loss for 2016, amounting to PLN 9,790,946.16, with the Company's profits earned in future years.



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

19. VALUE OF COLLATERAL AND SECURITY GIVEN, CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Off-balance sheet items	End of period 30/09/2017	End of period 31/12/2016
1. Contingent receivables	-	-
1.1 from other entities	-	-
2. Contingent liabilities	168,873	168,922
2.1 to other entities, of which:	168,873	168,922
- guarantees and sureties received	246	295
- mortgage collateral	89,207	89,207
- collateral pledge	79,420	79,420
Total	168,873	168,922

Since the end of the financial year 2016, the total balance of contingent liabilities decreased by PLN 49 thousand as a result of a reduction in the value of bank guarantees received.

20. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

On 17 October 2017, the Company received a letter of resignation from the Audit Committee and from the position of the Chairman of the Audit Committee of the Issuer's Supervisory Board submitted by Mr Maciej Kowalski. The resignation was submitted with effect from 16 October 2017.

On 17 October 2017, the Company received information on the following resolutions of the Supervisory Board of ATM S.A.:

- on appointing Mr Łukasz Wierdak as a member of the Audit Committee;
- on appointing Mr Jacek Osowski as the Chairman of the Audit Committee.

Both aforementioned resolutions were adopted with the effective date of 16 October 2017.

On 24 November 2017, the Issuer received a request from a Shareholder, AAW III Sp. z o.o. with its registered office in Warsaw, to convene an Extraordinary General Meeting of the Company at the earliest legally permissible date. The request was submitted pursuant to Article 400 § 1 of the Code of Commercial Companies. On 24 November 2017, the Issuer published an announcement on convening an Extraordinary General Meeting of ATM S.A. for 21 December 2017. The agenda includes the following items:

- adoption of a resolution on determining the number of members of the Company's Supervisory Board;
- adoption of resolutions on changes in the composition of the Company's Supervisory Board;
- adoption of a resolution on amendments to the Company's Articles of Association and authorising the Company's Supervisory Board to determine the consolidated text of the Company's Articles of Association.



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

On 27 November 2017, the Issuer received information about Mr Jacek Osowski's resignation from the Company's Supervisory Board as of the day of the next General Meeting.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sławomir Koszołko	President of the Management Board		29 November 2017
Tomasz Galas	Vice-President of the Management Board		29 November 2017

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	29 November 2017
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B. OTHER INFORMATION REGARDING THE QUARTERLY REPORT

(REQUIRED BY THE REGULATION OF THE MINISTER OF FINANCE ON THE CURRENT AND PERIODIC INFORMATION SUBMITTED BY 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:

- Sławomir Koszołko – President of the Management Board,
- Tomasz Galas – Vice-President of the Management Board.

On 6 February 2017, Robert Zaklika tendered his resignation from the position of the Vice-President and Member of the Company's Management Board.

On 31 May 2017, the Company's Supervisory Board adopted the following resolutions on:

- dismissing Sylwester Biernacki from the position of President and Member of the Company's Management Board as of 31 May 2017;
- assigning a Member of the Supervisory Board, Piotr Sieluk, to act as the President and Member of the Company's Management Board as of 31 May 2017 (until 31 August 2017).

On 4 July 2017, the Company's Supervisory Board adopted the following resolutions on:

- appointing Mr Sławomir Koszołko to the position of President of the Company's Management Board as of 4 July 2017;
- shortening the term of assignment of Mr Piotr Sieluk to act as the President of the Management Board of the Company — the said delegation expired upon the adoption of the resolution in question.

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

- Tadeusz Czichon — Chairperson of the Supervisory Board,
- Piotr Sieluk — Deputy Chairperson of the Supervisory Board,
- Tomasz Czechowicz — Member of the Supervisory Board,
- Maciej Kowalski — Member of the Supervisory Board,
- Jacek Osowski — Member of the Supervisory Board,
- Łukasz Wierdak — Member of the Supervisory Board.

On 11 January 2017, the Extraordinary General Meeting of the Company dismissed Cezary Smorszczewski from the Supervisory Board. On the same day, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at five and appointed Tomasz Czechowicz to the Company's Supervisory Board.



On 31 May 2017, the Ordinary General Meeting of the Company set the number of Supervisory Board members at five to six and appointed Piotr Sieluk to the Company's Supervisory Board.

On 31 May 2017, the Supervisory Board of the Company appointed an Audit Committee composed of: Maciej Kowalski (Chairman of the Audit Committee), Tadeusz Czichon and Jacek Osowski. Previously, the tasks of the Audit Committee were performed by the Supervisory Board of ATM S.A.

On 4 July 2017, the Supervisory Board of the Company adopted resolution on appointing Piotr Sieluk to the position of the Vice-Chairman of the Company's Supervisory Board.

On 17 October 2017, the Company received a letter of resignation from the Audit Committee and from the position of the Chairman of the Audit Committee of the Issuer's Supervisory Board submitted by Mr Maciej Kowalski. The resignation was submitted with effect from 16 October 2017.

On 17 October 2017, the Company received information on the following resolutions of the Supervisory Board of ATM S.A.:

- on appointing Mr Łukasz Wierdak as a member of the Audit Committee;
- on appointing Mr Jacek Osowski as the Chairman of the Audit Committee.

Both aforementioned resolutions were adopted with the effective date of 16 October 2017.

On 27 November 2017, the Issuer received information about Mr Jacek Osowski's resignation from the Company's Supervisory Board as of the day of the next General Meeting.

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.

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 QUARTERLY 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 QUARTERLY REPORT



<u>Shareholder</u>	<u>Number of shares held</u>	<u>Interest in share capital</u>	<u>Number of votes at the General Meeting</u>	<u>Share in the overall number of votes</u>
MCI.PrivateVentures FIZ *	24,939,079	68.62%	24,939,079	68.62%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%	9,119,040	25.09%

<u>Shareholder</u>	<u>Number of shares according to the previous periodic report</u>	<u>Number of shares according to the current quarterly report</u>	<u>Change in the number of shares and number of votes</u>
MCI.PrivateVentures FIZ	11,441,891	24,939,079	13,497,188
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	9,119,040	9,119,040	0
Nationale-Nederlanden PTE	7,160,120	-	(7,160,120)
PKO BP Bankowy OFE	1,914,556	-	(1,914,556)

**) jointly with subsidiaries. The number of shares as at 23 November 2017 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 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 QUARTERLY REPORT

<u>Name and surname</u>	<u>As at 2 October 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>As at 29 November 2017</u>
Sławomir Koszołko	-	-	-	-
Tomasz Galas	-	-	-	-
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 AND DEVELOPMENT PROSPECTS

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

Operating and financial results

ATM's operating results in the third quarter of 2017 were very similar to those of the previous quarter. Sales revenue from core operating segments was improved by 0.5% q/q, return on sales increased by 0.7 p.p. as



compared to the one recorded in the first half of 2017, whereas fixed costs (general and administrative expenses) increased by 10% q/q (mainly due to higher amortisation and depreciation costs and restructuring costs).

On a year-on-year basis, key items of the income statement were improved by a few percent in the previous quarter (sales revenue from core operating segments changed by +2% y/y; EBITDA changed by +9% y/y), whereas taking into account the whole period of three quarters of 2017, growths amounted to 3% y/y (revenue) and 17% (EBITDA), respectively.

When analysing the Issuer's performance in the first three quarters of 2017, the following developments should be noted:

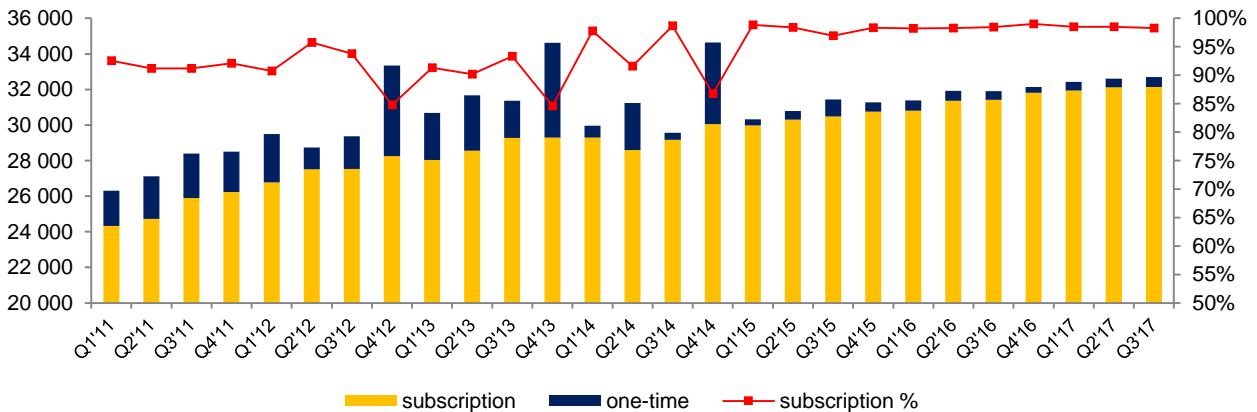
- continuously growing revenue from the data center services segment (+6% y/y) and the revenue from the telecommunications services segment which has remained at a consistent level since the beginning of 2016 (no changes y/y during the first three quarters of 2017);
- a decrease in cost of sales (-7% y/y), where major savings were made by the Company in the telecommunications services segment (-10% y/y which means approx. PLN 3 million of costs of sales less than in the first three quarters of 2016);
- an improvement in the return on sales in core segments by 3.5 p.p. (up to 59.1% in the first three quarters of 2017) — as a consequence of the factors listed in the previous indents;
- a decrease in general and administrative expenses (excluding amortisation and depreciation) by approx 3% y/y, mainly as a result of reduced salary costs (staff restructuring carried out in the Company mainly throughout 2016).

In addition, the final level of the Company's net profit was also materially affected by:

- income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. in the first quarter of 2017 in the amount of PLN 4.7 million (1st tranche) and in the third quarter of 2017 in the amount of PLN 3.0 million (2nd tranche) – presented under “Financial revenue” in the Income statement;
- share in the profit earned by Linx during the first three quarters of 2017, amounting to nearly PLN 7 million (such a good profit earned by Linx during the analysed period resulted primarily from proceeds from the sale of the telecommunications business, of which the Company notified in previous periodic reports). However, at the level of financial expenses reported in the Issuer's Income Statement, this income was offset by a revaluation write-down on shares in Lynx, amounting to PLN 4.1 million, to the value disclosed in ATM's books of accounts as at the end of 2016.

As in the previous periods of the Company's operations, nearly 100% of total revenue was of a recurring and subscription-based nature — as presented in the following chart:

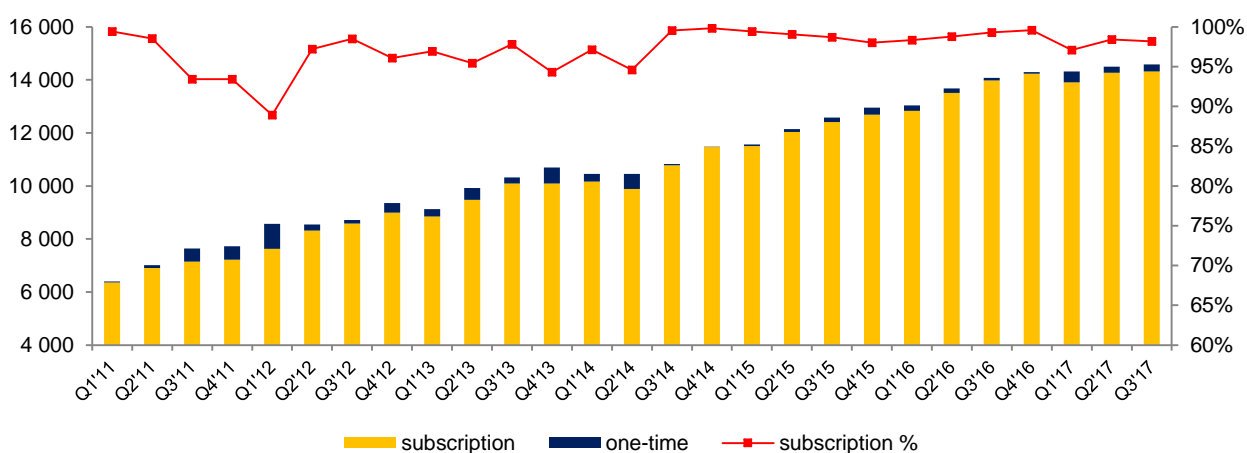
Main operating segments revenue structure in PLN thousand



Data Center Services Segment

figures in PLN thousand	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Revenue from the Data Center Services Segment	11,567	12,147	12,574	12,951	13,044	13,681	14,083	14,290	14,324	14,501	14,586
of which: subscription revenue	11,502	12,033	12,413	12,693	12,830	13,516	13,983	14,230	13,906	14,270	14,319

Revenues from data center services segment [PLN thousand]



During the first three quarters of 2017, revenue of the data center services segment increased to PLN 43.4 million (+6% y/y), mainly as a result of:

- maintaining a high growth rate of revenue from the ATMAN EcoServer services — the Company recorded here an increase by 23% on a year-on-year basis (to PLN 10.9 million during the first three quarters of 2017);
- consistent 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 during the first three quarters of 2017 by 8% y/y.

Costs of sales in the segment in question amounted to PLN 13.1 million during the first three quarters of 2017, which represents an increase by 11% y/y. As a consequence, the return on sales in this segment decreased slightly — from 71.2% in corresponding period of 2016 to 69.8% during the first three quarters of 2017. The above change results primarily from 2 factors:

- as a result of improving the process of allocation of direct costs between core segments (owing to, among other factors, the implementation of a new ERP system at the beginning of 2017), a portion of costs allocated previously to the telecommunications services segment has been allocated to the data center services segment as of the beginning of 2017.
- in the first and third quarter of the current year, the Company incurred one-off costs related to the operation of data centers, such as refuelling of power generators or cleaning fuel tanks.

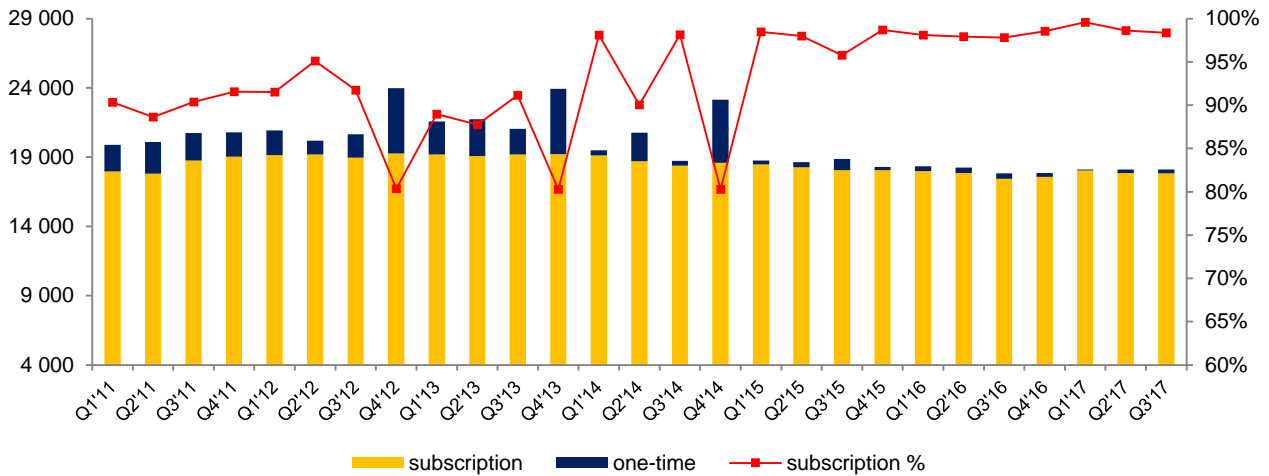
EBITDA generated by the data center services segment increased to PLN 18.6 million (by 3% y/y) and accounted for 57% of total EBITDA of ATM during the first three quarters of the current year.

Net collocation space occupied by the customers amounted to approx. 4,500 m² as at the end of the third quarter, which represents an increase by 9% y/y.

Telecommunications Services Segment

figures in PLN thousand	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Total Revenue from the Telecommunications Services Segment	18,762	18,650	18,860	18,302	18,330	18,237	17,826	17,844	18,105	18,099	18,118
of which: subscription revenue	18,476	18,274	18,064	18,061	17,981	17,855	17,433	17,584	18,029	17,846	17,819

Revenues from telecommunications services segment [PLN thousand]



In the period in question, the telecommunications services segment maintained the trends observed in preceding periods. The following issues are of key importance for the assessment of segment's performance:

- the total revenue of the segment is kept at a relatively stable level – approx. PLN 18.1 million per quarter (no changes y/y during the first three quarters of 2017);
- a downward trend is observed for the revenue from transmission services (accounting for nearly 65% of the segment's sales) which decreased by 1.5% y/y during the first three quarters of 2017. It should be reminded, however, that in previous years the downward trend in this area was more pronounced (quarterly declines of approx. 1-2% from the beginning of 2014 to the third quarter of 2016);
- revenue from Internet access services are slowly growing — between the beginning of 2015 and the end of 2016, the Issuer recorded, on average, 1% quarterly increases in revenue (a horizontal trend can be observed in the current year);
- lack of significant revenue from sources other than subscription services (the Issuer explained the nature of this situation in detail in previous periodical reports).

At the same time – mainly due to increased efficiency on the purchasing side, but also owing to the improvement of the inter-segment cost allocation mechanism mentioned in the previous section – the profitability of the telecommunications services segment increased noticeably (by 5 p.p. y/y to 49.5%).

As a result, the margin on sales in the telecommunications services segment increased during the first three quarters of 2017 to 12% y/y (to PLN 26.9 million), while the segment's EBITDA increased by 42% y/y in the same period and accounted for approx. 42% of the Issuer's total EBITDA.

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, apart from those listed in the previous section:

- income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. in the amount of PLN 4.7 million (1st tranche) and PLN 3 million (2nd tranche);
- share in the profit earned by Linx during the first three quarters 2017, amounting to nearly PLN 7 million which, at the level of financial expenses reported in the Issuer's Income Statement, was offset by a



revaluation write-down on shares in Lynx, amounting to PLN 4.1 million, to the value disclosed in ATM's books of accounts as at the end of 2016.

- the Issuer's restructuring costs in the amount of PLN 825 thousand (during the first three quarters of 2017).

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 Data Center 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 m² of net collocation space, 58% of which is utilised by customers. In addition, the Company can relatively quickly increase the supply of space with additional 1.5 thousand m² net, by expanding the DC localised at Konstruktorska in Warsaw.

The results achieved by the Issuer in the third quarter of 2017 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;
- situation in the Telecommunications Services Segment where the main challenge is to halt the decline in subscription revenue, improve its 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 QUARTERLY REPORT VERSUS PROJECTED RESULTS

The Company did not publish any forecasts for 2017.

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 BODY 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
Sławomir Koszołko	President of the Management Board	29 November 2017	
Tomasz Galas	Vice-President of the Management Board	29 November 2017	

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	29 November 2017
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