



**Quarterly report of ATM S.A.
for the first quarter of 2019**



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

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

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

KEY INFORMATION REGARDING QUARTERLY REPORT

This quarterly report covers information prepared pursuant to § 65 item 1 and § 66 item 1 of the Regulation of the Minister of Finance of 29 March 2018, and includes financial statements of ATM S.A. prepared according to the International Accounting Standard 34 "Interim financial reporting", as endorsed by the European Union.

Submission date: 20 May 2019

Information on 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



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

SELECTED FINANCIAL DATA

	<u>31/03/2019</u>	<u>31/03/2018</u>	<u>31/03/2019</u>	<u>31/03/2018</u>
	<u>in PLN thousand</u>		<u>in EUR thousand</u>	
Total sales revenue	35,680	33,470	8,302	8,010
Profit on sales	25,576	19,455	5,951	4,656
Operating profit	5,136	2,021	1,195	484
Profit before tax	1,460	1,173	340	281
Net profit	806	417	187	100
Comprehensive income	1,508	378	351	91
Net cash from operating activities	13,074	9,215	3,042	2,205
Net cash from investing activities	(11,249)	(10,666)	(2,617)	(2,553)
Net cash from financing activities	(5,746)	2,165	(1,337)	518
Increase (decrease) in cash	(3,922)	714	(913)	171

	<u>31/03/2019</u>	<u>31/12/2018</u>	<u>31/03/2019</u>	<u>31/12/2018</u>
Fixed assets	543,392	393,539	126,332	91,521
Current assets	37,991	25,124	8,832	5,843
Total assets	581,383	418,663	135,165	97,364
Long-term liabilities	358,192	131,430	83,275	30,565
Short-term liabilities	58,965	39,685	13,709	9,229
Equity	164,227	247,548	38,181	57,569
Share capital *	34,723	34,723	8,073	8,075
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (in PLN/EUR)	4.52	6.81	1.05	1.58

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

The above financial figures for the first quarter of 2019 and 2018 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 4.3013 as quoted by the National Bank of Poland on 31 March 2019;
- particular items of the income statement and the statement of cash flows were converted at the EUR/PLN exchange rate which is the arithmetic mean of the mid-rates as quoted by the National Bank of Poland for the last day of each month of the financial period from 1 January to 31 March 2019, amounting to 4.2978, and from 1 January to 31 March 2018, amounting to 4.1784.

The financial figures for 2018 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 4.30 as quoted by the National Bank of Poland on 31 December 2018.



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

A. CONDENSED FINANCIAL STATEMENTS OF ATM S.A. FOR THE FIRST QUARTER OF 2019

1. CONDENSED INTERIM INCOME STATEMENT

	For the period 01/01- 31/03/2019	For the period 01/01- 31/03/2018
Sales revenue	35,680	33,470
Costs of sales	10,105	14,015
Profit on sales	25,576	19,455
Other operating revenue	624	24
General and administrative expenses	20,993	17,421
Other operating expenses	71	37
Operating profit (loss)	5,136	2,021
	1,138	(263)
Share of profit/(loss) of equity-accounted entities*		
Revenue from subsidiaries	389	389
Financial revenue	186	385
Financial expenses **	5,389	1,359
Profit (loss) before tax	1,460	1,173
Income tax	654	756
Net profit (loss)	806	417
Profit (loss) per share		
Ordinary	0.02	0.01
Diluted	0.02	0.01

NOTES:

*) This item includes the Issuer's share of the net profit or loss 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 quarter of 2019, this item includes an impairment loss on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 1,840 thousand.

***) Figures for comparative periods were restated – as described in Note 10 of the Semi-annual Report for the first half of 2018.

2. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01- 31/03/2019	For the period 01/01- 31/03/2018
Net profit (loss)	806	417
Other comprehensive income that may be reclassified to profit or loss	702	(39)
Exchange differences on translation of a shares in an associate	10	244
Share in other comprehensive income of associates	692	(282)
Total comprehensive income	1,508	378

*) Figures for comparative periods were restated – as described in Note 10 of the Semi-annual Report for the first half of 2018.



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

3. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

	End of period 31/03/2019	End of period 31/03/2018*	End of period 31/12/2018
Fixed assets	543,392	393,539	394,210
Intangible assets	11,405	8,989	11,622
Tangible fixed assets	474,864	330,013	326,234
Including: Right-of-use assets	165,359	-	-
Investments in equity-accounted associates	54,597	53,474	54,597
Other fixed assets	2,527	1,064	1,757
Including: Long-term lease receivables	760	-	-
Current assets	37,991	25,124	36,173
Financial assets held for trading	9	35	9
Trade and other receivables	22,864	14,802	17,923
Including: Short-term lease receivables	1,037	-	-
Income tax receivables	143	57	143
Other current assets	3,738	2,449	2,939
Cash and cash equivalents	11,237	7,781	15,159
Total assets	581,383	418,663	430,383



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

	End of period 31/03/2019	End of period 31/03/2018*	End of period 31/12/2018
Equity	164,227	247,548	161,841
Share capital	34,723	34,723	34,723
Supplementary capital from share premium	123,735	123,735	123,735
Reserve capital	440	61,144	440
Capital from incentive scheme measurement	3,993	1,079	3,740
Retained earnings	1,336	26,867	(796)
Long-term liabilities	358,192	131,430	223,278
Long-term loans and borrowings	207,371	103,884	204,600
Provision for deferred tax	7,869	7,392	7,757
Long-term trade and other liabilities	11,784	12,631	8,056
Lease liabilities	131,168	7,523	2,866
Including: Lease liabilities recognised following the implementation of IFRS 16	128,302	-	-
Short-term liabilities	58,965	39,685	45,263
Bank loans and borrowings	11,794	16,989	12,392
Income tax liability	185	59	-
Trade and other liabilities	26,159	21,339	30,119
Lease liabilities	20,827	1,298	2,752
Including: Lease liabilities recognised following the implementation of IFRS 16	18,968	-	-
Total equity and liabilities	581,384	418,663	430,383



(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>Reserve capital</u>	<u>Capital from incentive scheme measurement</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 31 December 2018	34,723	123,735	440	3,740	-796	161,841
Adjustment through retained earnings under IFRS 16	-	-	-	-	623	623
As at 1 January 2019	34,723	123,735	440	3,740	-173	162,464
Net profit	-	-	-	-	806	806
Exchange differences on translation of a shares in an associate	-	-	-	-	10	10
Share in other comprehensive income of associates	-	-	-	-	692	692
Transactions with owners						
Incentive scheme	-	-	-	253	-	253
As at 31 March 2019	34,723	123,735	440	3,993	1,336	164,227



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

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Reserve capital</u>	<u>Capital from incentive scheme measurement</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 31 December 2017 [before restatement]	34,723	123,735	61,144	-	26,377	245,979
Adjustment through retained earnings under IFRS 15	-	-	-	-	(1,457)	(1,457)
Adjustment through retained earnings under IFRS 9	-	-	-	-	1,568	1,568
As at 1 January 2018 [restated]	34,723	123,735	61,144	-	26,488	246,090
Net profit	-	-	-	-	417	417
Exchange differences on translation of a shares in an associate	-	-	-	-	244	244
Share in other comprehensive income of associates	-	-	-	-	(282)	(282)
Transactions with owners						
Incentive scheme	-	-	-	1,079	-	1,079
As at 31 March 2018	34,723	123,735	61,144	1,079	26,867	247,548



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

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Reserve capital</u>	<u>Capital from incentive scheme measurement</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 31 December 2017 [before restatement]	34,723	123,735	61,144	-	26,377	245,979
Adjustment through retained earnings under IFRS 15	-	-	-	-	(1,457)	(1,457)
Adjustment through retained earnings under IFRS 9	-	-	-	-	1,568	1,568
As at 1 January 2018 [restated]	34,723	123,735	61,144	-	26,488	246,090
Net profit	-	-	-	-	2,019	2,019
Exchange differences on translation of a shares in an associate	-	-	-	-	837	837
Share in other comprehensive income of associates	-	-	-	-	(1,440)	(1,440)
Profit distribution – increase of the supplementary capital	-	-	-	-	27,997	27,997
Profit distribution to be allocated to equity	-	-	-	-	(27,997)	(27,997)
Transactions with owners						
Incentive scheme	-	-	-	3,740	-	3,740
Dividend payout	-	-	60,704	-	28,701	89,405
As at 31 December 2018	34,723	123,735	440	3,740	(796)	161,841

6. CONDENSED INTERIM CASH FLOW STATEMENT

	For the period 01/01- 31/03/2019	For the period 01/01-31/03/2018
Operating activities	13,074	9,215
Profit (loss) before tax	1,460	1,173
Adjustments by:	11,614	8,042
Share of profit/(loss) of equity-accounted entities	(1,138)	263
Depreciation and amortisation	12,057	7,947
Foreign exchange differences	(163)	(55)
Interest received	(14)	-
Interest paid	3,247	1,037
(Gains) losses on investing activities	(593)	(4)
Change in receivables	(4,941)	1,989
Change in liabilities and provisions *	1,876	(1,064)
Change in other assets	(1,568)	(559)
Income tax paid	(355)	(236)
Other	3,207	(1,275)
Investing activities	(11,249)	(10,666)
Expenditure on purchase of tangible fixed assets	(12,264)	(10,670)
Proceeds from sale of tangible fixed assets	1,015	4
Financing activities	(5,746)	2,165
Proceeds from loans and borrowings	3,370	7,168
Repayments of loans and borrowings	(1,281)	(2,867)
Payment of finance lease liabilities	(893)	(1,154)
Payment of lease liabilities – IFRS 16	(3,896)	-
Interest received	14	-
Interest paid	(1,890)	(1,037)
Interest paid – IFRS 16	(1,356)	-
Foreign exchange differences	187	55
Change in cash and cash equivalents	(3,922)	714
Opening balance of cash	15,159	7,067
Closing balance of cash	11,237	7,781

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

The interim condensed financial statements for the first quarter ended 31 March 2019 were prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union and applicable as at 31 March 2019.

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 2019.

In 2019, 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 2019. Adopting the standards and interpretations listed above did not lead to significant changes in the Company's accounting policy, except for those described below.

First-time adoption of IFRS 16

For a detailed description of concepts, accounting principles and significant judgments, estimates and practical expedients applied by the Company in the implementation of IFRS 16, see Note 2 to the Company's Annual Report for 2018.

The effect of application of IFRS 16 on the Company's statement of financial position as at 1 January 2019 is presented below:

	As at 1 January 2019		
	Before application of IFRS 16	Effect of application of IFRS 16	After application of IFRS 16
ASSETS	430,383	153,538	583,920
Tangible fixed assets, including:	326,234	152,509	478,742
Fixed assets	326,234	-17,500	308,734
Right-of-use assets	-	170,009	170,009
Other fixed assets, including	1,757	203	1,960
Long-term lease receivables	-	203	203
Fixed assets	394,210	152,711	546,921
Trade and other receivables, including:	17,923	827	18,749
Short-term lease receivables	-	827	827
Current assets	36,173	827	36,999
EQUITY AND LIABILITIES	430,383	153,538	583,921
Retained earnings	(796)	624	(172)
Equity	161,841	624	162,466
Long-term trade and other liabilities	8,056	3,728	11,784
Long-term lease liabilities	2,866	130,195	133,061
Long-term liabilities	223,278	133,923	357,202
Lease liabilities	2,752	18,990	21,742
Short-term liabilities	45,263	18,990	64,254

Amendments to other IFRSs and interpretations of that entered into force in the period from 1 January 2019 to the date of approval of these financial statements for publication did not have a material impact on these financial statements.



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

The Company intends to adopt the new standards, amendments to standards and interpretations of the IFRS published by the International Accounting Standards Board but not yet effective as at the reporting date, when they become effective.

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 2018, including notes for the 12 months ended 31 December 2018, 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 2018 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.

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 2018.

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 31 March 2019, as well as the results of its operations in the period of 3 months ended 31 March 2019, together with comparative figures.

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 colocation services and other services relating to data center infrastructure (such as the leasing of dedicated servers, cloud computing services and backup office services, as well as data security and business continuity management services, e.g. AntyDDoS);
- the Telecommunications Services Segment, including broadband data transmission services, telecommunications connection leasing services, Internet access services and voice services (ISDN and VoIP).

Starting from the interim report for the first quarter of 2018, the Issuer additionally presents in the Telecommunications Services Segment the revenue and sales margins earned outside its core business segments, including those from 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. In the previous periodic reports, this stream of revenue and sales margins was presented separately in the column "Other".

This change in data presentation arose because of the need to ensure consistency of interim reports with management reports used by the Company's Management Board. The figures in the comparative period were restated accordingly.

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 (based on the proportion of sales revenue in both segments).

The value of the Issuer's shares in its associated company is shown in the column marked "Other".



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

Costs of sales and costs of remuneration of employees in the organisational units responsible for the performance of services are allocated to segments in accordance with their direct relationship.

Starting with the interim report for the first quarter of 2018, the Issuer no longer allocates other operating expenses to segments using ratio-based methods. Therefore, at the segment level, the so-called Segment Margin is calculated, which is the difference between the Sales Margin of a particular segment and the payroll cost for staff of divisions responsible for service performance.

This change in data presentation also arose because of the need to ensure consistency of interim reports with management reports used by the Company's Management Board. The figures in the comparative period were restated accordingly.

In order to ensure comparability of figures concerning 2019 with the figures for the periods ended before 1 January 2019, as well as to preserve the consistency of figures presented in interim reports with the management reports used by the Company's Management Board, figures concerning operating segments are presented below after eliminating the impact of IFRS 16 on the Issuer's revenue and expenses. Relevant adjustments on this account, reconciling the Issuer's figures to those presented in the Income Statement, are presented under separate line items of the table below.

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

Company's results broken down by operating segments in the period from 1 January 2019 to 31 March 2019:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	229,902	258,892	54,597	543,392
Sales revenue	17,444	18,495	-	35,939
Costs of sales	5,919	8,751	-	14,670
Profit on sales	11,525	9,744	-	21,269
Payroll costs of employees in divisions responsible for service performance	1,057	795	-	1,852
Segment Margin	10,468	8,948	-	19,417
Other general and administrative expenses, of which:				15,620
Depreciation and amortisation				7,849
Other net operating revenue and expenses				(40)
Increase (decrease) in operating revenue following implementation of IFRS 16				336
Increase (decrease) in operating expenses following implementation of IFRS 16				(1,043)
Operating profit (loss)				5,136
Revenue from subsidies				389
Net financial revenue and expenses*				(2,698)
Increase (decrease) in net financial revenue and expenses following implementation of IFRS 16				(1,367)
Profit (loss) before tax				1,460
Income tax				654
Net profit (loss)				806

Company's results broken down by operating segments in the period from 1 January 2018 to 31 March 2018:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	169,671	170,394	53,474	393,539
Sales revenue	15,073	18,398	-	33,471
Costs of sales	4,752	9,263	-	14,015
Profit on sales	10,321	9,134	-	19,455
Payroll costs of employees in divisions responsible for service performance	1,008	741	-	1,749
Segment Margin	9,313	8,393	-	17,706
Other general and administrative expenses, of which:				15,672
Depreciation and amortisation				7,947
Other net operating revenue and expenses				(13)
Operating profit (loss)				2,021
Revenue from subsidies				388
Net financial revenue and expenses*				(1,237)
Profit (loss) before tax				1,172
Income tax				755
Net profit (loss)				417

*) Including share in the profit or loss of equity-accounted entities.

The geographical breakdown of sales revenue is as follows:

<u>Sales revenue</u>	<u>For the period 01/01- 31/03/2019</u>	<u>For the period 01/01–31/03/2018</u>
Domestic customers	31,798	30,144
Foreign customers	3,882	3,327
Total sales revenue	35,680	33,470

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.

Sales revenue by the moment of revenue recognition:

<u>Sales revenue</u>	<u>For the period 01/01- 31/03/2019</u>	<u>For the period 01/01–31/03/2018</u>
Revenue from sales of products	35,671	33,441
Revenue from sales of goods and materials	9	29
Total sales revenue	35,680	33,470

A vast majority of the Issuer's revenue is recognised over time, i.e. as the Issuer satisfies the a performance obligation towards the customer (subscription-based services are settled on a monthly basis). In the above table, this revenue is presented under “Revenue from sales of products”. Only a small portion of revenue – presented under “Revenue from sales of goods and materials” in the above table – is recognised when the performance obligation is satisfied, i.e. when the control over the asset is transferred to the customer (non-subscription based revenue).

In the first quarter of 2019:

- liabilities from contracts (reported under “Trade and other liabilities” in the Statement of financial position) decreased – as compared to the opening balance of 2019 – by PLN 124 thousand; Deferred income included in this item will be recognised in full within the next 30 months; Revenue recognised by the Company in 2019, included in the balance of liabilities from contracts at the beginning of 2019, amounted to PLN 459 thousand;
- assets from the performance of contracts (reported under “Other current assets” in the Statement of financial position) decreased – as compared to the opening balance of 2019 – by PLN 25 thousand;

The vast majority (approx. 99% of total revenue – in terms of value) of services provided by the Company is subscription-based (cyclical), therefore revenue is also recognised in accordance with the settlement cycles (monthly). In such cases, the starting moment is usually determined by the date of signing the service acceptance report by the customer (service activation). For non-recurring/installation services and fees (other than the sale of assets) – revenue is recognised, in accordance with paragraphs B48-B49 of IFRS 15, over time, concurrently with revenue from cyclical services (to which a given installation fee applies) – fees are therefore treated as advance payments.

Variable remuneration – due to the subscription nature of ATM services (and the cyclical nature of settlements with customers), all variable remuneration elements (e.g. electricity consumption charges, Internet traffic charges) are calculated on an ongoing basis and in real values, and therefore do not require estimation.

Assignment of price based on individual sales prices - due to the requirements of the pricing and offering process in the CRM system, all products (goods/services) offered to customers are priced autonomously, while the allocation of discounts and rebates on individual products, if any, is real and is the final outcome of the pricing and offering process.

The Company acts as a lessor for the following types of services provided to customers:



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

- colocation services – lease of dedicated server rooms and separate parts of the server rooms;
- lease of dedicated servers;
- dedicated back-up offices services;
- lease of optical fibres.

In each of the aforementioned cases, the nature and contractual terms of the services provided indicate that they are operating leases, as defined in IFRS 16. The only exception to this is a portion of the optical fibre lease services, which are based on the infrastructure leased by the Company from suppliers and therefore constitute a sublease under IFRS 16. In this case, the Company is required to assess the classification of subleases by reference to the right-of-use asset under the main lease, and not by reference to the underlying asset (for example, the leased tangible fixed asset). As at the date of implementation of IFRS 16 – i.e. 1 January 2019 – the Company reclassified such leases classified as operating leases under IAS 17 to finance leases in accordance with IFRS 16.

3. IMPAIRMENT LOSSES ON INVENTORIES REDUCING THE VALUE TO NET REALISABLE VALUE

During the first quarter of 2019, the Company did not recognise any impairment losses on inventories.

4. IMPAIRMENT LOSSES ON FIXED ASSETS

The Company did not recognise any impairment losses on fixed assets during the first quarter of 2019, save for an impairment loss of PLN 1,840 thousand on the value of shares in an associated undertaking, Linx. In the Management Board's opinion, in the first quarter of 2019 there were indications that the value of shares in Linx would change in relation to the valuation as at the end of 2018, which, combined with the positive contribution of ATM to the change in Linx capital (in accordance with the equity method), resulted in the need to recognise an additional impairment loss.

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>Income statement</u>	
	<u>End of period 31/03/2019</u>	<u>End of period 31/12/2018</u>	<u>For the period 01/01- 31/03/2019</u>	<u>For the period 01/01- 31/03/2018</u>
Deferred tax provision				
Adjustment – valuation of SCN loan	323	340	(17)	234
Difference between the carrying amount and tax base of tangible fixed assets	10,093	9,753	339	
Adjustment to costs of installation fees – IFRS 15	93	98	(5)	
Foreign exchange gains	39	46	(7)	(42)
Gross deferred tax provision	10,548	10,238	310	192
Deferred tax assets				
Adjustment to revenue from installation fees – IFRS 15	465	488	24	-
Write-downs on inventories	-	-	-	-



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

Write-downs on receivables	371	359	(13)	(10)
Foreign exchange losses	-	-	-	95
Liabilities to the Social Insurance Institution (ZUS)	39	106	67	(38)
Deferred income/expenses and accruals	1,655	1,388	(267)	147
Effects of IRS valuation	149	140	(9)	(37)
Gross deferred tax assets	2,679	2,480	(199)	157
Net tax assets (tax provision)	7,869	7,757		
Deferred income tax charge against profit			111	349

7. SIGNIFICANT TANGIBLE FIXED ASSET SALES AND ACQUISITIONS

In the reporting period (first quarter of 2019), the Company acquired fixed assets in the amount of PLN 6.4 million. The aforementioned amount concerns expenditure construed as an increase in the value of fixed assets, without right-of-use assets recognised following the adoption of IFRS 16. The main categories of investments were as follows:

- assets of the Data Center Services Segment (primarily components necessary for the lease of dedicated and colocation servers) – approx. PLN 4.3 million;
- assets of the Telecommunications Services Segment (primarily assets related to the fibre-optic network) – approx. PLN 1.1 million;
- other assets, including primarily those related to the development of the Issuer's IT systems.

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, except for lease liabilities recognised following the adoption of IFRS 16.

9. SIGNIFICANT SETTLEMENTS ARISING FROM COURT CASES

There were no significant settlements arising from court cases.

10. ADJUSTMENTS OF ERRORS FROM PREVIOUS PERIODS

Figures for the first quarter of 2018 were adjusted – as described in Note 10 of the Semi-annual Report for the first half of 2018.

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. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 41.792 million as at 31 March 2019, 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;



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

2. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 59 million as at 31 March 2019, 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. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 41.792 million as at 31 March 2019, 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. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 59 million as at 31 March 2019, 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. Term loan for the period of 5 years (2018-2023, with the maturity date in 2024)), drawn in the amount of PLN 7.5 million as at 31 March 2019, 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;
6. Term loan for the period of 5 years (2018-2023, with the maturity date in 2024)), drawn in the amount of PLN 7.5 million as at 31 March 2019, 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;
7. Overdraft facility, which revolves on a triennial basis, with a total limit of up to PLN 30 million, drawn in the amount of PLN 4.757 million as at 31 March 2019.

The above amounts drawn on loans do not include an adjustment updating the value of loan liabilities to a value measured using the amortised cost method.

Lease liabilities amounted to PLN 151,955 thousand. For a description of lease liabilities, see Note 1.

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 INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 March 2019, 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 31/03/2019		End of period 31/12/2018	
	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	780		736	



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

		780		736
Other financial liabilities	-	-	-	-

FAIR VALUE HIERARCHY

<u>Financial liabilities at fair value through profit or loss</u>	<u>Fair value hierarchy level</u>	<u>31/03/2018</u>
Derivative financial instruments — IRS contract hedging the interest rate risk in respect of the loan	level 2	780
Total		780

The IRS contract hedging the interest rate risk in respect of the term loans was measured using the discounted cash flow model based on market parameters.

During the period ended 31 March 2019, 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 colocation space. Such an increase in revenue occurred in the last quarters of the years 2012–2014, and in 2015–2018 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

As at the date of this quarterly report, the Management Board of ATM has not yet submitted its position on the distribution of the Company's profit for 2018.

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

There were no contingent receivables or liabilities.

Guarantees and sureties issued, collateral established

	<u>End of period</u> <u>31/03/2019</u>	<u>End of period</u> <u>31/12/2018</u>
Bank guarantees for other entities:		
Guarantees issued by banks on behalf of the Company:	844	196
- performance bonds and tender bonds	844	196

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

Loan collateral			
Collateral pledge		52,326	45,267
Promissory notes and mortgages:		110,180	110,408
- bank loan collateral		110,180	110,408
Total		163,350	155,871

20. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- On 1 April 2019, the Company's Supervisory Board, acting pursuant to Resolution No 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on the issue, in order to implement the incentive scheme, of series A subscription warrants, and complete waiver of the existing shareholders' pre-emptive rights in respect of series A subscription warrants, carrying the right to subscribe for series C shares, and on the conditional increase in the Company's share capital by way of an issue of series C shares, and complete waiver of the existing shareholders' pre-emptive rights in respect of series C shares, as well as on relevant amendments to the Company's Articles of Association and in connection with the incentive scheme adopted by the resolution of the Supervisory Board of 14 December 2018 on the introduction of the incentive scheme in the company and the resolution of the Supervisory Board of 14 December 2018 on the determination of persons eligible for participation in the incentive scheme and other arrangements, amended by the resolution of the Supervisory Board of 19 March 2019, allocated the second tranche of series A subscription warrants, i.e. a total of 208,901 subscription warrants.
- On 4 April 2019, the Issuer received the decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, dated 28 March 2019, on the amendment to the Company's Articles of Association. The above amendments to the Articles of Association, resulting from Resolution No 3 of the Extraordinary General Meeting of the Company dated 25 February 2019, are as follows:
Previous wording of § 13(1) of the Company's Articles of Association:
"1. The Supervisory Board shall consist of five to six members."
was amended to read as follows:
"1. The Supervisory Board shall consist of five to seven members."
- On 5 April 2019, the Company received a notification from AAW III Sp. z o.o. (hereinafter referred to as the "Shareholder") on the appointment of Mr Tomasz Czechowicz as Member of the Company's Supervisory Board as of 5 April 2019. The aforementioned appointment was performed in the exercise of the personal power of the Shareholder on the basis of § 13(2)(a) of the Company's Articles of Association.
- On 18 April 2019, the Management Board of the Issuer announced that it had decided to launch a review of strategic options related to the further development of the Issuer's business. During the review, the Management Board will consider various strategic options with respect to the Issuer's business areas, including, but not limited to, seeking acquisition targets, seeking joint venture partners, searching for strategic investors or entering into transactions with a different structure, as well as analysing the manner in which any assets or funds acquired may be utilised and the absence of any action by the Issuer in connection with such options. At the same time, the Issuer's Management Board announced that no decisions to select a specific strategic option had yet been made by the Management Board, and it was not certain if and when any such decisions would be made.
- On 18 April 2019, the Issuer was notified that the General Meeting of Linx Telecommunications Holding B.V. ("Linx") adopted a resolution on dividend payout on 17 April 2019. The dividend was determined at EUR 0.15 per share. The Company holds 2,754,612 shares in Linx and the dividend attributable to the Company amounts to EUR 413,192. The date of dividend payout was set as one month from the date of adoption of the resolution by Linx's GM.

21. INCENTIVE SCHEME

Incentive Scheme adopted by the Supervisory Board of the Company on 14 December 2018

Assumptions, key parameters and valuation of the incentive scheme implemented in the Company and adopted by the Supervisory Board of the Company on 14 December 2018 were presented in Note 32 to the



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

Annual Report for 2018. In the first quarter of 2019, the Company's income statement included costs of the incentive scheme in the amount of PLN 254 thousand.

Summary of changes in the number and weighted average exercise price of warrants:

	Number of warrants	Weighted average exercise price
Outstanding at the beginning of the period	1,217,064	8.54
Granted during the period	0	n/a
Exercised during the period	0	n/a
Outstanding at the end of the period	1,217,064	8.54

The average remaining life of warrants at the end of the first quarter of 2019: 1.3 year.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board	20 May 2019	
Tomasz Galas	Vice President of the Management Board	20 May 2019	

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	20 May 2019
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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:

- Daniel Szczeńniewski – President of the Management Board,
- Tomasz Galas – Vice-President of the Management Board.

The Company is supervised by a Supervisory Board comprising the following members:

- Mariusz Grendowicz – Chairperson of the Supervisory Board,
- Piotr Sieluk – Deputy Chairperson of the Supervisory Board,
- Tomasz Czechowicz – Member of the Supervisory Board,
- Przemysław Głębocki – Member of the Supervisory Board,
- Maciej Kowalski – Member of the Supervisory Board,
- Tomasz Jacygrad – Member of the Supervisory Board,
- Sebastian Millinder – Member of the Supervisory Board.

On 19 March 2019, Mr Sławomir Koszołko resigned from the position of the President of the Company's Management Board. On the same day, the Company's Supervisory Board adopted a resolution on appointing Mr Daniel Szczeńniewski to the Company's Management Board as President of the Company's Management Board as of 19 March 2019.

On 5 April 2019, the Company received a notification from AAW III Sp. z o.o. (hereinafter referred to as the "Shareholder") on the appointment of Mr Tomasz Czechowicz as Member of the Company's Supervisory Board as of 5 April 2019. The aforementioned appointment was performed in the exercise of the personal power of the Shareholder on the basis of § 13(2)(a) of the Company's Articles of Association.



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 *	34,339,567	94.49%	34,339,567	94.49%

<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 *	34,339,567	34,339,567	-

**) jointly with subsidiaries. The number of shares as at 28 September 2018 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 QUARTERLY REPORT

<u>Name and surname</u>	<u>As at 19 November 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>As at 20 May 2019</u>
Daniel Szczeńniewski *	-	-	-	221,088
Tomasz Galas *	-	-	-	238,751
Piotr Sieluk *	-	-	-	318,004

**) values presented in the table refer to the number of subscription warrants allocated to the above persons in connection with the Incentive Scheme (see Note 21 above).*

PURCHASE OF TREASURY SHARES

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

2. KEY PERFORMANCE INDICATOR – EBITDA

Starting from the Annual Report for 2017, the Issuer applies the definition of EBITDA (as an alternative measure of profit or loss) adapted to the management reporting requirements introduced at ATM at the beginning of 2017 (which was possible owing to, among other things, the implementation of a new ERP-class system). Moreover, as of the beginning of 2019, the Issuer revised the definition of EBITDA so as to eliminate the impact of implementation of IFRS 16 on revenue and expenses of the Issuer - thereby preserving the comparability of the Issuer's EBITDA in relation to the periods ended before 1 January 2019. For detailed information and reconciliation of EBITDA with the relevant Income Statement items, see below. EBITDA is not defined by IFRS and may be calculated differently by other entities.

Items of revenue and expenses that were excluded from the calculation of EBITDA are as follows (provided that these items were previously charged to the operating profit):

- costs of restructuring – costs related to the Issuer's restructuring carried out by the Management Board – presented in the table below under "restructuring costs";
- costs related to bank fees and commissions (in the total amount of PLN 19 thousand in the first quarter of 2019 and PLN 10 thousand in the first quarter of 2018) – due to their non-operating nature – presented in the table below under "general and administrative expenses";
- real property tax and other public levies in the total amount of PLN 211 thousand in the first quarter of 2019 and PLN 247 thousand in the first quarter of 2018 (including those paid to the Municipal Roads Authority) – in view of the generally accepted definition of EBITDA (i.e. operating profit before, inter alia, taxes) – presented in the table below, in the lines "general and administrative costs";
- loss (gain) incurred in connection with the disposal/revaluation of fixed assets (due to the non-cash nature of such losses/gains) in the total amount of PLN 2 thousand in the first quarter of 2019 and PLN -4 thousand in the first quarter of 2018 – presented in the table below under "other operating expenses (income)";
- payroll costs resulting from the valuation of derivatives granted to key employees of the Company under the incentive scheme in the amount of PLN 254 thousand in the first quarter of 2019 and PLN 1,079 in the first quarter of 2018 – due to their non-cash nature – presented in the table below under "general and administrative expenses";
- write-downs on trade receivables estimated in accordance with IFRS 9 (due to their non-cash nature – provisions) in the total amount of PLN 68 thousand in the first quarter of 2019 and PLN 37 thousand in the first quarter of 2018 – presented in the table below under "other operating expenses (income)".



	<u>For the period</u> <u>01/01–31/03/2018</u> <u>(according to the</u> <u>approved financial</u> <u>statements –</u> <u>before</u> <u>restatement)</u>	<u>For the period</u> <u>01/01–31/03/2018</u> <u>(restated)</u>	<u>Difference</u>	<u>For the period</u> <u>01/01- 31/03/2019</u> <u>(before</u> <u>restatement)</u>	<u>For the period</u> <u>01/01-</u> <u>31/03/2019</u> <u>(restated)</u>	<u>Difference</u>
Operating profit (loss)	2,021	2,021	-	5,136	5,136	-
Depreciation and amortisation	7,947	7,947	-	12,057	12,057	-
EBITDA	9,968			17,193		
Adjustments, of which:	-	1,369	1,369	-	(4,016)	(4,016)
General and administrative expenses	-	1,336	1,336	-	484	484
Other operating (revenue) expenses	-	33	33	-	70	70
Restructuring costs	-	0	0	-	1,017	1,017
Elimination of the effect of implementation of IFRS 16 – operating revenue (adjustment)	-	-	-	-	(336)	(336)
Elimination of the effect of implementation of IFRS 16 – operating expenses (adjustment)	-	-	-	-	(1,043)	(1,043)
Elimination of the effect of implementation of IFRS 16 – amortisation and depreciation (adjustment)	-	-	-	-	(4,208)	(4,208)
Adjusted EBITDA	9,968	11,337	1,369	17,193	13,176	(4,016)

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

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

The discussion of the Issuer's performance in this section has been prepared with the assumption that the effects of implementation of IFRS 16 on the Issuer's income statement are eliminated. This ensured comparability of the Issuer's figures for 2019 with the periods ended before 1 January 2019.

Operating and financial results

In the first quarter of 2019, ATM's sales revenue grew by 7.5% y/y. This good performance was almost entirely due to the positive contribution of the Data Centre Services Segment, where revenue increased by more than 15% year-on-year. The successful efforts made for several quarters to increase the Company's cost effectiveness resulted in an improvement in return on sales in the previous quarter by 1.1 p.p. y/y (up to 59.2%), and this effect would have been better had it not been for the negative impact of the significant increase in electricity purchase costs reflected in the Company's results since the beginning of 2019 (for a detailed discussion of the above matters, see the section concerning the performance of individual segments below).

Profit on sales increased by more than 9% y/y, while EBITDA – owing to maintaining a relatively unchanged level of general and administrative expenses – increased by as much as 16% y/y. Like every quarter, such good performance was based on subscription revenue – in the first quarter of 2019 it accounted for over 98% of all sales revenue of the Issuer.

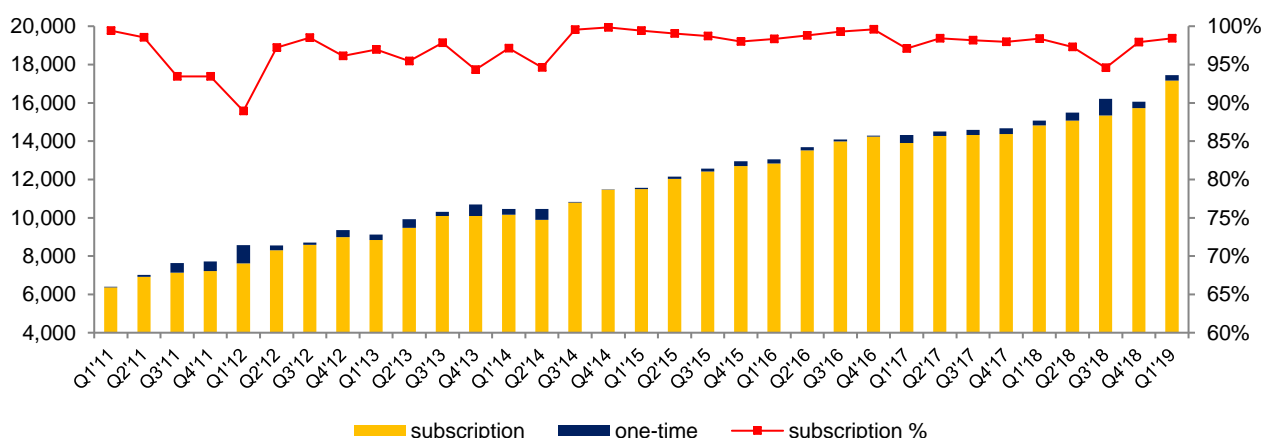
The final amount of the Issuer's net profit was also significantly affected by the impairment loss on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 1,840 thousand, recognised in the first quarter of 2019 and included in the Issuer's Income Statement, under financial expenses.



Data Center Services Segment

figures in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Revenue from the Data Center Services Segment	14,324	14,501	14,586	14,673	15,073	15,486	16,213	16,051	17,444
of which: subscription revenue	13,906	14,270	14,319	14,378	14,826	15,067	15,336	15,720	17,167

Revenues from data center services segment [PLN thousand]



In the first quarter of 2019, sales revenue of the Data Center Services Segment increased by 15.5% year-on-year (PLN +2.3 million – increase to PLN 17.4 million) which was primarily attributable to:

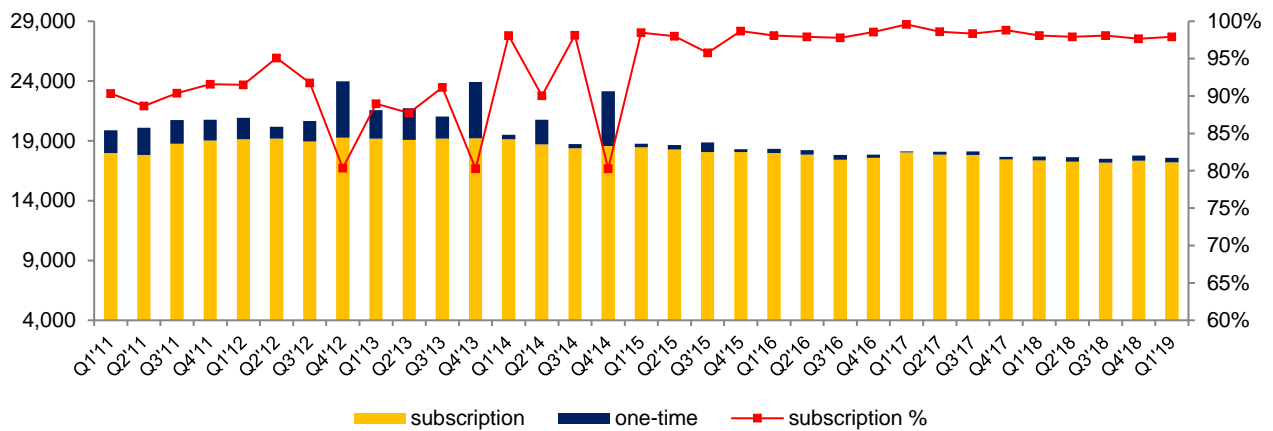
- maintaining over 10% growth rate of sales of dedicated server services and a very strong growth of revenue from sales of cloud computing services (in total, the services referred to in this indent generated over PLN 0.7 million more revenue than in the corresponding period of 2018);
- increase in subscription-based revenue related to the so-called basic colocation services (Rack, Box, Data Room) by approx. 6% y/y (PLN +0.35 million);
- increase in revenue from guaranteed supply services (+38% y/y, increase by PLN 1.0 million y/y). These services are an inherent part of all core services provided in data centres, and the increase in rates for the Company's customers resulted directly from the need to mitigate the equally significant increase in the market price of electricity purchased in 2018 (the Issuer contracts energy purchases in annual intervals, so the effect of price increases on the market has been visible in its performance only since the beginning of 2019).

The aforementioned increase in electricity purchase costs, driven by market trends independent of the Company, is responsible for approximately 90% of the total y/y increase in the segment's costs, which reached PLN 1.2 million. This led to a decrease in the segment's return on sales (by 2.4 p.p. y/y to 66.1%), while the Segment's margin increased by 12% y/y and amounted to PLN 10.5 million.

Telecommunications Services Segment

figures in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Revenue from the Telecommunications Services Segment	18,854	18,757	18,813	18,477	18,398	18,388	18,359	18,652	18,495
of which: subscription revenue	18,778	18,504	18,514	18,260	18,062	18,021	18,024	18,232	18,129

Revenues from telecommunications services segment [PLN thousand] *



* after excluding revenue earned outside the core business segments (from the sale of administrative services) – reported in interim reports before 2018 in the “Other” segment

In the first quarter of 2019, sales revenue of the Telecommunications Services Segment amounted to PLN 18.5 million, and increased by 0.5% as compared to the first quarter of 2018. Subscription-based revenue increased by a similar rate over that period (+0.4% y/y), which is attributable to:

- an increase in revenue from the Internet access services by approx. PLN 0.1 thousand (+2% y/y);
- an increase in revenue not directly related to the core segments of the Issuer’s operations (services of an administrative nature which have a negligible impact on the margin) by approx. PLN 0.1 million (+13% y/y);
- a decrease in revenue from transmission services by approx. PLN 0.1 million (-1.1% y/y), mainly as regards wholesale (carrier) services – a decrease by 3% y/y).

The costs of sales of the Telecommunications Services Segment were reduced by 6% y/y, mainly owing to the consistently implemented strategy to renegotiate costs with suppliers.

As a result of the above mentioned factors, the segment’s return on sales reached 52.7% (+3 p.p. y/y), while the profit on sales increased by 7% y/y.

A similar growth rate was achieved by the Segment’s margin, increasing by more than PLN 0.5 million y/y in terms of value.

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 below:

- implementation, as of the beginning of 2019, of the accounting principles contained in IFRS 16 “Leases”, which resulted in a significant change in the value of assets and liabilities as well as in the level of the Issuer’s operating expenses and, consequently, in the operating profit and EBITDA compared to the values reported in previous periods (see description and table in the section “KEY PERFORMANCE INDICATOR - EBITDA” above);
- recognition of costs of measurement of derivatives related to the incentive scheme of key management personnel (PLN 0.25 million in the first quarter of 2019 – non-cash item).
- the Issuer’s restructuring costs in the amount of PLN 1.0 million (in the first quarter of 2019);



- impairment loss on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 1,840 thousand, recognised in the first quarter of 2019 and included in the Issuer's Income Statement, under financial expenses.

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 (colocation) 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 increasingly important (including FinTech),
- 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 colocation 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 colocation space, 64% 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 during the first quarter of 2019 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 colocation 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 colocation 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 colocation 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 ruble 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 2019.

4. 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 significant proceedings before court, arbitration body or public administration body concerning liabilities or receivables of the Issuer.

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 SIGNIFICANT

During the reporting period, no loan or borrowing sureties or guarantees were extended by the Issuer, the value of which would be significant.



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
Daniel Szcześniewski	President of the Management Board	20 May 2019	
Tomasz Galas	Vice President of the Management Board	20 May 2019	

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	20 May 2019
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