



The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of ATM S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of ATM S.A. (the 'Company') located in Warsaw at Grochowska 21A St., containing: the statement of financial position as at 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the period from 1 January 2019 to 31 December 2019 and additional explanatory notes, including a summary of significant accounting policies (the 'financial statements').

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 24 April 2020.

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<i>Initial audit</i>	
<p>The financial statements of the Company for the financial year ended December 31, 2019 were the Company's first financial statements subject to our audit. Taking into account the scope of activities of the Company, it was important to understand the business structure of the Company and its impact on the processes existing within the Company. Furthermore, considering the changes of the statutory auditors in prior years conducting the audits of the Company's financial statements, as well as, the adjustments made to the comparative financial information in the Company's financial statements,</p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> • conducting a kick-off meeting with key personnel responsible for financial reporting of the Company; • gaining an understanding of the control mechanisms implemented by the Company and testing of selected control mechanisms in relation to individual significant processes; • understanding of the Company's accounting policy and significant amounts included in the financial statements based on professional judgment and estimates;

we determined the initial audit of the Company's financial statements to be a key audit matter.

During the audit of the financial statements, we performed a number of additional procedures necessary to understand and gain knowledge about:

- (i) The Company's business profile and its accompanying processes,
- (ii) Specific risks related to the business,
- (iii) Significant transactions occurring in prior periods, which had impact on the financial statements of the Company for the current period,
- (iv) adjustments of prior periods' errors,
- (v) control mechanisms implemented by the Company and policies affecting financial reporting of the Company.

These procedures allowed us to assess the risk of the audit, including inherent audit risk and control risk, identify the risk of material misstatement and in consequence to determine materiality levels and the scope of audit procedures.

In addition, as part of the first year audit, the purpose of our additional procedures was to determine whether opening balances contain misstatements that materially affect the financial statements for the current period and whether the accounting policies were correctly and continuously accounted for in preparation of the financial statements for the current period, or whether changes that were made during the period were properly accounted and presented in accordance with the applicable IFRS reporting framework.

- communication of the key certified auditor acting on behalf of the predecessor audit firm, including discussion on key auditor matters and review of the documentation of the prior year audit;
- assessment of key audit matters from the prior period and their impact on the financial statements of the Company for the current period and on the opening balance;
- analysis of the appropriateness of the prior periods' errors adjusted by the Company;
- assessment and analysis of the scope and appropriateness of disclosures made in the financial statements in respect to the changes in presentation and prior periods' errors in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

The results of our procedures, as well as the audit strategy determined by taking those results into consideration has been communicated to the Company's Management and the Company's Audit Committee.

The disclosure in respect to the changes in presentation and identified prior period errors is included in note 32 „Corrections of prior period errors” and in point 2 of note 2 “Material accounting policies” of the additional notes and explanations to the financial statements.

Application of IFRS 16 „Leases”

IFRS 16 “Leases” (“IFRS 16”) requires analysis of contracts and business relationships, as well as making a significant number of key judgements and estimates relating to among others determination of the scope of the new standard, duration of the leases, lease payments or discount rates.

Considering the above, the significance of the impact on the financial statements, the amount and diversity of contracts as well as the fact that since 2019 the Company adopted the standard for the purpose of the preparation of its financial statements for the first time, the matter was determined as a key audit matter.

The Company’s Management decided to adopt IFRS 16 using the modified retrospective approach.

As a result of the recognition of right-of-use assets and lease liabilities related to the adoption of IFRS 16, the Company’s total assets reported in the statement of financial position increased by PLN 149.8 million as at 1 January 2019 compared to the financial data presented in the financial statements for the prior year.

The disclosures of the accounting policies related to leasing, as well as, key judgments and estimates and the impact

In the course of the audit of the financial statements we have analysed the accounting policies in respect to accounting for contracts subject to IFRS 16 and related judgments and estimates such as among others:

- assessment of the scope of agreements subject to accounting under IFRS 16;
- determination of the lease payments;
- assessment of the duration of leases, including the assumptions used to estimate the duration of leases signed for an undefined period of time;
- determination of the discount rates;
- applied practical expedients, including applied exclusions and simplifications.

Furthermore, our audit procedures included also, among others:

- understanding of the process of the adoption of IFRS 16, determination of lease contracts within its scope, and assessment of key controls implemented by the Company in this respect;
- performing tests of details for a sample of contracts in order to verify the accuracy of parameters used in the calculation of lease liabilities and right-of-use assets as well as calculations of those lease liabilities and right-of-use assets;

<p>of the initial application of IFRS 16 are included in points 2 and 4 of note 2 “Material accounting policies” of the additional notes and explanations to the financial statements.</p> <p>The disclosures of right-of-use assets and lease liabilities related to the initial application of IFRS 16 are included in note 23 “Lease” and note 24 “Operating lease and contingent assets and liabilities” of the additional notes and explanations to the financial statements.</p>	<ul style="list-style-type: none"> • analysis of the completeness of identification of contracts within the scope of IFRS 16. <p>Furthermore, we have assessed the adequacy of the disclosures made in the financial statements in respect to the guidelines provided in IFRS 16, as well as, the key judgments related to accounting for lease contracts and the impact of the adoption of the new standard on the Company’s financial statements.</p>
<p><u>Valuation of investment</u></p>	
<p>The Company owns 21.02% of shares in an associate Linx Telecommunications Holding B.V. („Linx”). The Company accounts for its investment in Linx in accordance with the equity method and the value of the investment in the associate as at 31 December 2019 presented in the statement of financial position amounts to PLN 49.9m, including PLN 4.1m of the share in result of the associate presented in the 2019 income statement. Furthermore, during the year ended 31 December 2019, as a result of performed impairment tests, the Company has recognized an impairment expense of the investment in Linx in the amount of PLN 8.2m.</p> <p>In accordance with IAS 36 „Impairment of assets”, the Company’s Management, in case of identification of impairment indicators, is required to carry out an impairment test of respective assets. Considering the existence of impairment indicators during 2019, the Company’s Management has performed impairment tests of this investment by comparing the</p>	<p>Our audit procedures in respect to the matter of the valuation of investment in the associate included among others:</p> <ul style="list-style-type: none"> • analysis of the identification of impairment indicators performed by the Company’s Management; • assessment of the methodology and arithmetical correctness of the valuation model used by the Company’s Management; • analysis of the appropriateness of key assumptions and estimates made by the Company’s Management used in the model, mainly in respect to: <ul style="list-style-type: none"> ○ financial results of Linx, through their comparison to historical data and future projections. ○ Multiplier used in the valuation, based on available market Information for comparative transactions; • performing a sensitivity analysis of the test results to the changes in key estimates. <p>Furthermore, we have assessed the appropriateness of the accounting for the results of the impairment test in the financial statements and we have assessed correctness</p>

net book value of the investment with its recoverable amount determined as its fair value less costs of disposal based on the comparative approach of financial results of Linx and a multiplier determined based on the market transactions for similar entities.

The valuation of investment in Linx was considered as a key audit matter due to the significance of the value of investment in Linx to the financial statements, as well as, due to the high degree of judgment applied by the Company in respect to the estimation of the recoverable value of shares in Linx.

Furthermore, the impairment test requires making significant judgments, such as the value of the multiplier and the value of the operating result of the associate increased by depreciation, which are used in the valuation, in respect to which an inherent risk of uncertainty applies, and the use of other assumptions can result in significantly different estimates of the value of this investment.

The Company has included a description of the applied accounting policy regarding accounting for investments in associates in point 4 of note 2 „Material accounting policies” to the financial statements. Disclosures relating to the impairment test are presented in note 14 „Financial assets”.

and completeness of disclosures in the financial statements made in respect to the valuation of the investment in the associate and of the performed impairment test of the investment.

Other matters

The financial statements for the prior financial year (i.e. from 1 January 2018 to 31 December 2018) were subject to an audit by an auditor acting for another audit firm who issued a qualified opinion, on these financial statements, dated 30 April 2019 in respect of shares in an associate Linx.

Responsibilities of the Company's Management and of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.



Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2019 to 31 December 2019 and the representation on the corporate governance (jointly 'Other Information').

Responsibilities of the Company's Management and of the Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which we have provided to the Company and its subsidiaries, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Company and its subsidiaries in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Supervisory Board from 26 July 2019. We are auditing the financial statements of the Company for the first time.

Key Certified Auditor

Marcin Zieliński
certified auditor
no in the register: 10402

on behalf of:
Ernst & Young Audyt Polska spółka
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Warsaw, 24 April 2020