



**Semi-annual report of ATM S.A.
for the first half 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 THE SEMI-ANNUAL REPORT

This semi-annual report covers information prepared pursuant to § 65 item 1 and § 68 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: 2 September 2019

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

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NIP (Tax ID No): 113-00-59-989

REGON (Statistical ID No): 012677986

Entity authorised to review the report: Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.



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

SELECTED FINANCIAL DATA

	For the period 01/01– 30/06/2019**	For the period 01/01– 30/06/2018**	For the period 01/01– 30/06/2019**	For the period 01/01– 30/06/2018**
	in PLN thousand		in EUR thousand	
Total sales revenue	71,465	67,345	16,666	15,885
Profit on sales	52,397	39,470	12,219	9,310
Operating profit	9,950	4,672	2,320	1,102
Profit before tax	571	3,602	133	850
Net profit (loss)	(647)	2,531	(151)	597
Comprehensive income	44	2,975	10	702
Net cash from operating activities	31,375	18,770	7,317	4,428
Net cash from investing activities	(17,673)	(17,227)	(4,122)	(4,063)
Net cash from financing activities	(16,160)	121	(3,769)	28
Increase (decrease) in cash	(2,457)	1,664	(573)	393

	30/06/2019**	31/12/2018**	30/06/2019**	31/12/2018**
Fixed assets	536,620	395,492	126,204	91,975
Current assets	38,643	36,173	9,088	8,412
Total assets	575,263	431,665	135,292	100,387
Long-term liabilities	346,114	226,861	81,400	52,758
Short-term liabilities	66,976	43,690	15,752	10,160
Equity	162,172	161,115	38,140	37,468
Share capital *	34,723	34,723	8,166	8,075
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (in PLN/EUR)	4.46	4.43	1.05	1.03

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

**) The financial statements of ATM for the first half of 2019 (including the comparative period) were not audited by a statutory auditor, but reviewed by a statutory auditor.

The above financial figures for the first half 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 4.2520 as quoted by the National Bank of Poland on 30 June 2019;
- particular items of the statement of comprehensive income 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 30 June 2019, amounting to 4.2880, and from 1 January to 30 June 2018, amounting to 4.2395.

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 4.3000 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 HALF OF 2019

1. CONDENSED INTERIM INCOME STATEMENT

	Note	For the period 01/01– 30/06/2019 [unaudited]***	For the period 01/04–30/06/2019 [unaudited]***	For the period 01/01– 30/06/2018 [unaudited]***	For the period 01/04– 30/06/2018 [unaudited]***
Sales revenue	2	71,465	35,785	67,345	33,875
Costs of sales		19,068	8,964	27,875	13,860
Profit on sales		52,397	26,821	39,470	20,015
Other operating revenue		425	(199)	30	6
General and administrative expenses		42,627	21,634	34,595	17,174
Other operating expenses		245	174	234	197
Operating profit		9,950	4,814	4,672	2,651
Share of profit/(loss) of equity-accounted entities*		1,708	570	(299)	(36)
Revenue from subsidiaries		777	389	777	389
Financial revenue		710	524	1,091	706
Financial expenses **		12,574	7,185	2,639	1,280
Profit (loss) before tax		571	(888)	3,602	2,430
Income tax	6	1,218	564	1,071	316
Net profit (loss)		(647)	(1,452)	2,531	2,114
Profit (loss) per share					
Ordinary		(0.02)	(0.04)	0.07	0.06
Diluted		(0.02)	(0.04)	0.07	0.06

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 half of 2019, this item includes an impairment loss on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 5,517 thousand.

***) The financial statements of ATM for the first half of 2019 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

2. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01– 30/06/2019 [unaudited]*	For the period 01/04–30/06/2019 [unaudited]*	For the period 01/01– 30/06/2018 [unaudited]*	For the period 01/04– 30/06/2018 [unaudited]*
Net profit (loss)	(647)	(1,452)	2,531	2,114
Other comprehensive income that may be reclassified to profit or loss	691	(11)	444	483
Exchange differences on translation of a shares in an associate	(304)	(314)	1,223	980
Share in other comprehensive income of associates	995	303	(779)	(497)
Total comprehensive income	44	(1,464)	2,975	2,598

*) The financial statements of ATM for the first half of 2019 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.



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

3. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

	End of period 30/06/2019 [unaudited]*	End of period 30/06/2018 [unaudited]*	End of period 31/12/2018
Fixed assets	536,620	395,042	395,492
Intangible assets	13,667	9,672	11,622
Tangible fixed assets **	470,429	330,326	327,516
Including: Right-of-use assets (IFRS 16)	149,172	-	-
Investments in equity-accounted associates	49,705	53,474	54,597
Other fixed assets	2,820	1,570	1,757
Including: Long-term lease receivables (IFRS 16)	750	-	-
Current assets	38,643	30,194	36,173
Borrowings advanced	5	23	9
Trade and other receivables	21,572	18,484	17,923
Including: Short-term lease receivables (IFRS 16)	1,066	-	-
Income tax receivables	57	70	143
Other current assets	4,308	2,885	2,939
Cash and cash equivalents	12,701	8,732	15,159
Total assets	575,263	425,236	431,665

*) The financial statements of ATM for the first half of 2019 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

**) See Note 10.



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

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

	End of period 30/06/2019 [unaudited]*	End of period 30/06/2018 [unaudited]*	End of period 31/12/2018
Equity	162,172	160,475	161,115
Share capital	34,723	34,723	34,723
Supplementary capital from share premium	123,735	123,735	123,735
Reserve capital	2,459	440	440
Capital from incentive scheme measurement	4,129	1,542	3,740
Retained earnings *	(2,874)	35	(1,523)
Long-term liabilities	346,114	26,151	226,861
Long-term loans and borrowings	199,412	-	204,600
Provision for deferred tax **	7,697	7,566	7,612
Long-term trade and other liabilities **	11,080	11 823	11,784
Including: Measurement of derivative instruments (IRS contracts)	768	407	736
Lease liabilities	127,925	6,763	2,866
Including: Liabilities from restatement of operating leases under IFRS 16	125,858	-	-
Short-term liabilities	66,976	238,608	43,690
Bank loans and borrowings	16,799	120,709	12,392
Income tax liability	171	-	-
Trade and other liabilities **	29,133	27,636	28,546
Lease liabilities	20,872	859	2,752
Including: Liabilities from restatement of operating leases under IFRS 16	18,869	-	-
Dividends payable		89,405	
Total equity and liabilities	575,263	425,236	431,665

*) The financial statements of ATM for the first half of 2019 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

**) See Note 10.



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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	(1,523)	161,115
Adjustment through retained earnings under IFRS 16	-	-	-	-	623	623
As at 1 January 2019	34,723	123,735	440	3,740	(901)	161,737
Net profit	-	-	-	-	(647)	(647)
Exchange differences on translation of a shares in an associate	-	-	-	-	(304)	(304)
Share in other comprehensive income of associates	-	-	-	-	995	995
Total comprehensive income	-	-	-	-	44	44
Distribution of profit in accordance with a resolution	-	-	2,019	-	(2,019)	-
Transactions with owners						
Incentive scheme	-	-	-	389	-	389
As at 30 June 2019 [unaudited] *	34,723	123,735	2,459	4,129	(2,874)	162,172

*) The financial statements of ATM for the first half of 2019 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.



(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 adjustment]	34,723	123,735	61,144	-	26,377	245,979
Adjustments of errors from previous periods **	-	-	-	-	(727)	(727)
As at 31 December 2017 [before restatement]	34,723	123,735	61,144	-	25,650	245,252
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	34,723	123,735	61,144	-	25,761	245,363
Net profit	-	-	-	-	2,531	2,531
Other comprehensive income	-	-	-	-	444	444
Total comprehensive income	-	-	-	-	2,975	2,975
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	-	-	-	1,542	-	1,542
Dividend payout	-	-	60,704	-	28,701	89,405
As at 30 June 2018 [unaudited] *	34,723	123,735	440	1,542	35	160,475

*) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

**) See Note 10.



(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 adjustment]	34,723	123,735	61,144	-	26,377	245,979
Adjustments of errors from previous periods *	-	-	-	-	(727)	(727)
As at 31 December 2017 [before restatement]	34,723	123,735	61,144	-	25,650	245,252
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	-	25,761	245,363
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)
Total comprehensive income	-	-	-	-	1,416	1,416
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	(1,523)	161,115

*) See Note 10.



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

6. CONDENSED INTERIM STATEMENT OF CASH FLOWS

	For the period 01/01–30/06/2019 [unaudited]****	For the period 01/01– 30/06/2018 [unaudited]****
Operating activities	31,375	18,770
Profit (loss) before tax	571	3,602
Adjustments by:	31,023	15,168
Share of profit/(loss) of equity-accounted entities	(1,708)	299
Depreciation and amortisation	24,341	16,185
Foreign exchange differences	(685)	(979)
Interest income	(29)	-
Interest expense	6,484	2,122
(Gains) losses on investing activities	(392)	(10)
Change in receivables *	(2,583)	(1,181)
Change in liabilities and provisions **	1,661	1,880
Change in other assets	(2,345)	(2,112)
Income tax paid	(875)	(604)
Other ***	6,936	(432)
Investing activities	(17,673)	(17,227)
Expenditure on purchase of tangible fixed assets	(19,681)	(17,244)
Proceeds from sale of tangible fixed assets	231	5
Repayments of long-term borrowings granted	5	12
Dividends received	1,773	-
Financing activities	(16,160)	121
Proceeds from loans and borrowings	1,737	9,400
Repayments of loans and borrowings	(2,562)	(5,783)
Payment of lease liabilities	(1,663)	(2,353)
Payment of lease liabilities IFRS 16	(7,217)	-
Interest paid	(3,773)	(2,122)
Interest paid on leases, IFRS 16	(2,711)	-
Foreign exchange differences	30	979
Change in cash and cash equivalents	(2,457)	1,664
Opening balance of cash	15,159	7,067
Closing balance of cash	12,701	8,732

*) The item "Change in receivables" does not comprise the change in receivables from the sale of tangible fixed assets; this change is presented under "Proceeds from sale of tangible fixed assets",

**) 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".

***) The item "Other" comprises the change in investments in a subsidiary resulting from revaluation and effect of implementation of IFRS 16 on the opening balance for 2019.

****) The financial statements of ATM for the first half of 2019 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.



(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 first half year ended 30 June 2019 were prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union and applicable as at 30 June 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 policy¹, except for those described below.

First-time adoption of IFRS 16

Description of changes

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and has been endorsed by the European Union. The standard will replace IAS 17, IFRIC 4, SIC 15, and SIC 27. The Company will apply IFRS 16 as of 1 January 2019 ("transition date").

The new standard presents the overall model for identification and accounting for leases in financial statements of lessors and lessees. Significant changes have been introduced to lessee accounting, e.g. the distinction between operating and finance leases is no longer applied.

An essential element that differentiates the definitions of lease under IAS 17 and IFRS 16 is the requirement to exercise control over a specific asset used, identified in the agreement explicitly or implicitly. The right-of-use is conveyed where the lessee has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use in the period.

In accordance with IFRS 16, an agreement is, or contains, a lease if it conveys the right to control the use of an identified asset, and to obtain economic benefits from that use, for a period of time in exchange for consideration. This means that the following criteria must be met:

- fulfilment of the lease conditions relates to a specified asset which is identified by being explicitly or implicitly specified in an agreement, and the lessor may not have a substantive right of substitution;
- the agreement conveys the right to control the use of the asset in exchange for consideration. This means that the lessee has the right to direct the use of the asset (the "right of use") and to obtain substantially all the economic benefits from that use, taking into account the scope of such use.

If the definition of lease is satisfied, the lessee recognises a right-of-use asset and a lease liability, initially measured at the amount of discounted future lease payments to be made over the lease term.

Expenditure related to the use of leased assets, previously largely included in cost of third-party services, will now be classified as depreciation and interest expense.

Right-of-use assets are depreciated using the straight-line method over the estimated useful life, while the lease liabilities are settled using the effective interest rate.

The Company as a lessor

¹ In addition to IFRS 16, on 1 January 2019 the Company applied the provisions of IFRIC 23 "Uncertainty over income tax treatments". The interpretation was endorsed by the European Union on 23 October 2018 and is effective for annual periods beginning on or after 1 January 2019. The interpretation has no effect on the Company's financial statements.



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

Agreements in which ATM acts as the lessor are accounted for in accordance with the new standard in the same manner as under IAS 17, except for sublease contracts.

Under IFRS 16, an entity 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 transition, the Company reclassified certain leases classified as operating leases under IAS 17 to finance leases in accordance with IFRS 16. The total amount of payments under such agreements, which would be presented as sales revenue under IAS 17, amounted to PLN 527 thousand in the first half of 2019.

Sale and leaseback agreements

With regard to the sale and leaseback agreement concerning the real property in which the Company's registered office is located, the Issuer separated the right of perpetual usufruct of land as a lease. Based on the above, the Issuer recognised a right-of-use asset and a leaseback liability in the same manner as a right-of-use asset and lease liability.

Effect of IFRS 16 on the financial statements

In the first quarter of 2018, the Company launched the implementation of IFRS 16 (project), which was planned in three stages:

- stage I – analysis of all agreements for purchase of services, regardless of the current qualification, aimed at selecting those contracts on the basis of which the Company uses assets belonging to suppliers,
- stage II – assessment of agreements selected by the Company which were recognised as representative for the most popular types of lease and rental agreements concluded by the Company, in terms of their classification,
- stage III – implementation of IFRS 16 based on the developed concept.

The reviews covered all finance leases, operating leases, rental and tenancy agreements. Moreover, all transactions under which services were purchased (“third-party services” in operating activity) were also reviewed with a view to identifying whether the Company uses identifiable assets.

The Company identified five main categories of lease agreements (which had not been previously classified finance leases):

- real property: lease of the office building and perpetual usufruct of land;
- lease of optic fibre cables;
- lease of space on masts (towers/stacks/roofs);
- lease of space in telecommunication nodes (technical space, colocation);
- lease of space in data processing centers.

In relation to the reviewed leases of cable ducting, the Company has decided that these are not consistent with the definition of a lease, as the entity has no right to obtain substantially all of the economic benefits from use of these assets.

As part of the project, the Company made appropriate changes in its accounting policies and operating procedures. It developed and implemented methodologies for correct identification of agreements which are leases as well as for collection of data necessary to correctly account for such transactions. In addition, the Company implemented appropriate changes in its IT systems to adapt them to collecting and processing of relevant data.

The Company decided to implement the standard as of 1 January 2019. In accordance with the transitional provisions of IFRS 16, the new policies were adopted retrospectively: the cumulative impact of applying the new standard was accounted for as an adjustment to equity as at 1 January 2019. Accordingly, the comparative data for the financial year 2018 have not been restated (modified retrospective approach).

Below are presented the individual adjustments made due to the implementation of IFRS 16.



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

Description of adjustments

a) recognition of lease liabilities

Upon adopting IFRS 16, the Company recognises lease liabilities related to agreements previously classified as operating leases in accordance with the requirements of IAS 17 Leases. These liabilities were measured at the present value of lease payments outstanding at the start of application of IFRS 16, discounted using the interest rate of the lease as at 1 January 2019, where such rate could be readily determined. In other cases, the Company used its incremental borrowing rate.

On initial recognition, lease payments included in the measurement of the lease liability include the following types of payments for the right to use the underlying asset during the lease term:

- fixed lease payments net of any lease incentives,
- variable lease payments,
- amounts expected to be payable under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- lease termination penalties if the lessee is entitled to exercise the option to terminate the lease.

The Company uses the practical expedients available with respect to leases where the underlying asset has a low value (below PLN 15,000) – for those leases the Company does not recognise financial liabilities and the corresponding right-of-use assets. The lease payments are recognised as expenses over the lease term on a straight-line basis.

The Company did not identify any agreements for which the lease term would be less than 12 months and which are to be excluded as short-term leases.

b) Recognition of right-of-use assets

Right-of-use assets are measured at cost and presented in the statement of financial position together with the assets owned by the Company along with the breakdown of additional information in the explanatory notes.

The cost of a right-of-use asset comprises:

- the amount of the lease liability initially measured;
- any lease payments made at or prior to commencement, less any lease incentives received;
- any initial direct costs incurred by the lessee in connection with entering into a lease agreement;
- the initial estimate of costs which are to be incurred by the lessee as a result of an obligation to dismantle and remove an underlying asset or to carry out a restoration.

Application of estimates

The implementation of IFRS 16 requires making certain estimates and calculations that have an impact on the measurement of finance lease liabilities and right-of-use assets. They include, among others:

- determination of the lease term;
- determination of the interest rate to be used in discounting future cash flows.

The lease term

In accordance with IFRS 16, the Company determined the lease term as the non-cancellable period of a lease, together with:

- periods covered by an option to extend the lease if ATM, the lessee, is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if ATM, the lessee, is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the entity applies the definition of a contract and determines the period for which the contract is enforceable. A lease is



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

no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

If only a lessee has the right to terminate a lease, that right is considered to be an option to terminate the lease available to the lessee that an entity considers when determining the lease term. If only a lessor has the right to terminate a lease, the non-cancellable period of the lease includes the period covered by the option to terminate the lease.

With regard to the key groups of leased assets, the Company concludes both agreements for a definite term and agreements for an indefinite term. As a general rule, agreements for a definite term are automatically extended for an indefinite term or for a definite term.

The Company has estimated the planned useful lives of assets for two key groups of leased assets.

(1) Lease of ATM's strategic assets (the so-called "backbone" assets) – on the basis of the long-term horizon for use of a given technology, adapted by the Management Board of ATM (not shorter than the notice period of the lessor), broken down by asset type. These periods vary from 1.5 year to 20 years for structures and are equal the period of validity of decisions concerning the rights of perpetual usufruct of land.

(2) Leased assets used directly for rendering services to ATM's clients – on the basis of estimation of the average historic term of agreement with the Company's client. These periods are around 30 months.

In assessing whether ATM as a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Company considered all relevant facts and circumstances that create an economic incentive for it to exercise the option to extend the lease, or not to exercise the option to terminate the lease, the relevance of the asset to the lessor's business and the impact and nature of penalties related to the termination of lease and tenancy agreements.

The Company assessed that there are no agreements for an indefinite term where ATM's conclusion would be that the penalty is immaterial. Given the strategic nature of the assets in both groups and the significant impact of penalties, which gives these agreements in fact a long-term nature, ATM has not identified any indefinite term agreements that are excluded as short-term leases.

Discount rate

For each type of agreement, the Company has estimated a discount rate that will affect the ultimate value of the agreements.

The lease payments are discounted using the interest rate implicit in the lease first, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

To determine the incremental borrowing rate, the Company takes into account the type of agreement, the duration of the agreement, the currency of the agreement and the potential margin it would have to pay to external creditors.

The Company determined the incremental borrowing rates taking into account the duration of the lease agreements. Discount rates were determined for particular periods (for agreements the following terms: 1-3 years, 4-5 years, 6-7 years and 8-9 years) and one discount rate for agreements the terms of 10 years and more.

The process of determining a current incremental borrowing rate consists of the following steps:

- an analysis of the lessee's current financing structure (e.g., the debt instruments held by the lessee and their terms);
- determination of the appropriate reference rate – assuming specific currency, economic conditions and lease term;
- analysis of other material lease terms, including the nature of the underlying assets.

To calculate discount rates for the purposes of IFRS 16, the Company assumes that the discount rate should reflect the cost that it would have to pay to borrow the funds necessary to purchase the leased asset.

The Company estimates the discount rate for the measurement of lease liabilities taking into account the risk-free rate (e.g. interest on Polish treasury bonds denominated in PLN or EUR, whose maturity is similar to the term of the lease agreement) and the margin similar to the margin applied by banks for loans granted to the Company.



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

The Company estimates the discount rate for each of the currencies in which the identified lease agreements are denominated.

As at 31 December 2018, the discount rates calculated by the Company ranged between (depending on the agreement term):

- for PLN-denominated agreements: 2.90%–4.84%
- for EUR-denominated agreements: 1.80%–3.65%
- for USD-denominated agreements: 4.41%–6.27%

Use of practical expedients

When first applying IFRS 16, the Company applied the following practical expedients available under the standard:

- application of a single discount rate to a portfolio of leases with fairly similar characteristics,
- exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application, and
- use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Effect on the statement of financial position

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

	<u>As at 1 January 2019</u>		
	<u>Before application of IFRS 16</u>	<u>Effect of application of IFRS 16</u>	<u>After application of IFRS 16</u>
ASSETS	431,665	149,810	581,475
Tangible fixed assets, including:	327,516	148,781	476,297
Fixed assets	327,516	(7,616)	319,900
Right-of-use assets	-	156,397	156,397
Other fixed assets, including	1,757	203	1,960
Long-term lease receivables	-	203	203
Fixed assets	395,492	148,983	544,475
Trade and other receivables, including:	17,923	827	18,750
Short-term lease receivables	-	827	827
Current assets	36,173	827	37,000
EQUITY AND LIABILITIES	431,665	149,810	581,475
Retained earnings	(1,523)	624	(899)
Equity	161,115	624	161,738
Long-term trade and other liabilities	11,784	-	11,784
Long-term lease liabilities	2,866	130,195	133,061
Long-term liabilities	226,861	130,195	357,055
Lease liabilities	2,752	18,990	21,742
Short-term liabilities	43,690	18,990	62,680

The value of right-of-use assets does not equal the value of lease liabilities mainly due to the fact that, following the analysis of sublease agreements where ATM acts as a sublessor, the Company classified some of the agreements as finance leases, and therefore adjusted the previously leased right-of-use assets by a part of the assets that was sublet to other parties, which was recognized as lease receivables.



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

The table below presents the difference between future lease payments under non-cancellable operating leases, disclosed at the end of 2018 in accordance with IAS 17, and lease liabilities recognised in the statement of financial position as at initial application of IFRS 16:

PLN '000	01.01.2019
Operating lease liabilities as at 31 December 2018 (without discount)	40,227
(Plus): Perpetual usufruct rights to land	15,751
(Less): Short-term leases	-
(Less): Low-value leases	-94
Effect of discounting using the Company's incremental borrowing rate	-51,666
Plus: finance lease liabilities recognised as at 31 December 2018	5,618
Plus/(less): adjustment by the difference in the recognition of the option to extend/ terminate the lease	144,967
Lease liabilities as at 1 January 2019	154,803

The estimated annual cost of lease contracts for low-value leases is PLN 31 thousand.

Effect on equity

The implementation of IFRS 16 had no effect on retained earnings or equity as at 1 January 2019 due to the fact that the right-of-use assets and lease liabilities were recognised in the same amount. An exception is a portion of right-of-use assets for which the Company adjusted the previously leased right-of-use assets by a part of the assets that was sublet to other parties, which was recognized as lease receivables.

Effect on the income statement

As of 2019, the income statement has been changed in terms of classification of expenses (rental fees were replaced by depreciation and interest expenses) and the moment of their recognition (expenses related to leases are recognized more quickly due to recognition of interest expense using the effective interest rate method, which previously was not applied to agreements other than those classified as finance leases in accordance with IAS 17).

Effect on financial ratios

Given the fact that practically all of the lease contracts will be recognised in the Company's statement of financial position, the implementation of IFRS 16 by the Company will affect its balance sheet ratios, including the debt to equity ratio. In addition, the implementation of IFRS 16 resulted in changes to the profits metrics (e.g. operating profit, EBITDA) and to the presentation of cash flows from leases not recognised previously as finance leases (they were moved from the section concerning operating activities to the section concerning financing activities). The Company has analysed the implications that these changes have for its fulfilment of covenants contained in the credit facility agreements to which it is a party. No risk of default has been identified.

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.



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

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

These interim condensed financial statements have been prepared on the assumption that the Company would continue as a going concern for a period of at least 12 months from the report date. Both in the current period and in the comparative periods, the Company presents a negative balance of net working capital, which is characteristic for the Company's business model and should not in any way adversely affect the assessment of its financial standing. 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 30 June 2019, as well as the results of its operations in the period of 3 and 6 months ended 30 June 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 collocation 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 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".

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.



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

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.

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 segment in the first half of 2019:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	230,143	256,772	49,706	536,620
Sales revenue	35,002	36,990	-	71,993
Costs of sales	10,440	17,391	-	27,831
Profit on sales	24,562	19,599	-	44,161
Payroll costs of employees in divisions responsible for service performance	2,261	1,559	-	3,820
Segment's results	22,301	18,040	-	40,341
Other general and administrative expenses, of which:				31,610
Depreciation and amortisation				15,967
Other net operating revenue and expenses				(568)
Increase (decrease) in operating revenue following implementation of IFRS 16				261
Increase (decrease) in operating expenses following implementation of IFRS 16				(1,525)
Operating profit (loss)				9,950
Revenue from subsidies				777
Net financial revenue and expenses*				(8,148)
Increase (decrease) in net financial revenue and expenses following implementation of IFRS 16				(2,008)
Profit (loss) before tax				571
Income tax				1,218
Net profit (loss)				(647)

Company's results broken down by operating segment in the first half of 2018*:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	169,514	172,054	53,474	395,042
Sales revenue	30,559	36,786	-	67,345
Costs of sales	9,521	18,354	-	27,875
Profit on sales	21,038	18,432	-	39,470
Payroll costs of employees in divisions responsible for service performance	2,201	1,684	-	3,885
Segment's results	18,837	16,748	-	35,586
Other general and administrative expenses, of which:				30,710
Depreciation and amortisation				16,185
Other net operating revenue and expenses				(204)
Operating profit (loss)				4,672
Revenue from subsidies				777
Net financial revenue and expenses*				(1,847)
Profit (loss) before tax				3,602
Income tax				1,071
Net profit (loss)				2,531

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

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

Company's results broken down by operating segment in the second quarter of 2019:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	230,143	256,772	49,706	536,620
Sales revenue	17,558	18,495	-	36,054
Costs of sales	4,521	8,640	-	13,161
Profit on sales	13,037	9,855	-	22,892
Payroll costs of employees in divisions responsible for service performance	1,204	764	-	1,968
Segment's results	11,833	9,092	-	20,925
Other general and administrative expenses, of which:				15,990
Depreciation and amortisation				8,118
Other net operating revenue and expenses				(528)
Increase (decrease) in operating revenue following implementation of IFRS 16				(75)
Increase (decrease) in operating expenses following implementation of IFRS 16				(482)
Operating profit (loss)				4,814
Revenue from subsidiaries				389
Net financial revenue and expenses*				(5,450)
Increase (decrease) in net financial revenue and expenses following implementation of IFRS 16				(641)
Profit (loss) before tax				(888)
Income tax				564
Net profit (loss)				(1,452)

Company's results broken down by operating segment in the second quarter of 2018*:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	169,514	172,054	53,474	395,042
Sales revenue	15,486	18,388	-	33,875
Costs of sales	4,769	9,091	-	13,860
Profit on sales	10,717	9,298	-	20,015
Payroll costs of employees in divisions responsible for service performance	1,193	943	-	2,136
Segment's results	9,524	8,355	-	17,879
Other general and administrative expenses, of which:				15,038
Depreciation and amortisation				8,238
Other net operating revenue and expenses				(191)
Operating profit (loss)				2,651
Revenue from subsidiaries				389
Net financial revenue and expenses*				(610)
Profit (loss) before tax				2,430
Income tax				316
Net profit (loss)				2,114

*) 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– 30/06/2019</u>	<u>For the period 01/04– 30/06/2019</u>	<u>For the period 01/01– 30/06/2018</u>	<u>For the period 01/04–30/06/2018</u>
Domestic customers	63,630	31,832	60,285	30,141
Foreign customers	7,836	3,954	7,061	3,734
Total sales revenue	71,465	35,785	67,345	33,875

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 01/01–30/06/2019</u>	<u>For the period 01/04– 30/06/2019</u>	<u>For the period 01/01–30/06/2018</u>	<u>For the period 01/04–30/06/2018</u>
Revenue from sales of products	71,063	35,392	67,159	33,718
Revenue from sales of goods and materials	403	394	186	157
Total sales revenue	71,465	35,785	67,345	33,875

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 half of 2019:

- liabilities from contracts (reported under “Trade and other liabilities” in the Statement of financial position) increased – as compared to the opening balance of 2019 – by PLN 338 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 893 thousand;
- assets from the performance of contracts (reported under “Other current assets” in the Statement of financial position) increased – as compared to the opening balance of 2019 – by PLN 68 thousand;

The vast majority (approx. 97% 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.



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

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

- collocation 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

In the first half of 2019 and 2018, 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 half of 2019, save for an impairment loss of PLN 5,517 thousand on the value of shares in an associated undertaking, Linx. In the Management Board's opinion, in the first half 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. The Issuer has conducted a multiplier analysis of transactions carried out on the European market since the beginning of 2015 and involving assets comparable to Linx's assets, and an analysis of the discount applicable to Linx's assets located in Russia to determine the recoverable amount of the investment as its fair value less costs to sell. As a result of the analysis, the Issuer determined the recoverable amount of the investment in Linx shares at PLN 49.7 million as at 30 June 2019.

5. RECOGNITION, INCREASE, UTILISATION AND REVERSAL OF PROVISIONS

Both in the reported period and in the comparative period, the Company did not recognise or reverse any provisions.

6. DEFERRED INCOME TAX ASSETS AND PROVISIONS

	Statement of financial position		Income statement	
	End of period 30/06/2019	End of period 31/12/2018	For the period 01/01– 30/06/2019	For the period 01/01– 30/06/2018
Deferred tax provision				
Adjustment to the cost due to difference in electricity prices	120	-	120	-
Adjustment: Measurement of loan at adjusted cost	298	340	(42)	-
Difference between the carrying amount and tax base of tangible fixed assets	9,600	9,288	311	335
Adjustment to costs of installation fees – IFRS 15	111	98	13	11
Foreign exchange gains	169	46	122	157
Gross deferred tax provision	10,298	9,773	525	503
Deferred tax assets				
Adjustment to revenue from installation fees – IFRS 15	552	488	(64)	(53)
Write-downs on receivables	404	359	(45)	(30)
Foreign exchange losses	-	-	-	105

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

Liabilities to the Social Insurance Institution (ZUS)	134	106	(28)	(32)
Deferred income/expenses and accruals	1,365	1,068	(296)	(13)
Effects of IRS valuation	146	140	(6)	(13)
Gross deferred tax assets	2,601	2,161	(440)	(36)
Net tax assets (tax provision)	7,697	7,612		
Deferred income tax charge against profit			85	467

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

	For the period 01/01– 30/06/2019	For the period 01/01– 30/06/2018
Statutory tax rate	19%	19%
Current tax expense	1,133	604
Deferred income tax	85	467
Tax expense recognised in the income statement	1,218	1,071

	For the period 01/01– 30/06/2019	For the period 01/01– 30/06/2018
Profit/loss before tax	571	3,602
Statutory tax rate	19%	19%
Tax at the tax rate	109	684
Permanent differences	1,109	387
Write-down on shares in an associate – Linx	723	82
Permanently non-tax deductible accounting costs	195	27
Costs of incentive scheme	73	293
Other differences, including adjustment to the opening balance through retained earnings	118	(15)
Tax at the effective rate	1,218	1,071

7. SIGNIFICANT TANGIBLE FIXED ASSET SALES AND ACQUISITIONS

In the reporting period, the Company acquired fixed assets in the amount of PLN 17.9 million. The aforementioned amount concerns expenditure construed as an increase in the value of fixed assets. 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 10.9 million;
- assets of the Telecommunications Services Segment (primarily assets related to the fibre-optic network) – approx. PLN 4.7 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.

9. SIGNIFICANT SETTLEMENTS ARISING FROM COURT CASES

There were no significant settlements arising from court cases.

10. ADJUSTMENTS OF ERRORS FROM PREVIOUS PERIODS



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

The Company adjusted the value of liabilities under the Company Social Benefits Fund as at 1 January 2018 in the following manner:

- liabilities were decreased by PLN 1.6 million (recognised under “short-term trade and other liabilities”);
 - the deferred tax asset of PLN 0.3 million was released (recognised under “provision for deferred tax”).
- These changes resulted in the increase in retained earnings by PLN 1.3 million as at 1 January 2018.

In addition, the Company adjusted the opening balance of 2018 by the impact of the provision for the costs of restoring the initial condition of the leased property used to provide services in the data center segment in the following manner:

- assets were increased by PLN 1.3 million (recognised under “tangible fixed assets”);
 - liabilities were increased by PLN 3.7 million (recognised under “long-term trade and other liabilities”);
 - the deferred tax asset was increased by PLN 0.5 million (recognised under “provision for deferred tax”).
- These changes resulted in the decrease in retained earnings by PLN 2 million as at 1 January 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 41.526 million as at 30 June 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;
2. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 58.625 million as at 30 June 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 41.526 million as at 30 June 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 58.625 million as at 30 June 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 30 June 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 30 June 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 2.947 million as at 30 June 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 148,797 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 ASSETS AT FAIR VALUE

As at 30 June 2019, the Company held financial instruments carried at fair value in its statement of financial position. The list of individual classes and categories of financial instruments is presented in Note 28 to the Annual Report. 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.

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

FINANCIAL INSTRUMENTS	30/06/2019		30/06/2018		31/12/2018	
	carrying amount	fair value	carrying amount	fair value	carrying amount	fair value
Financial liabilities at fair value through profit or loss	768	768	407	407	736	736

FAIR VALUE HIERARCHY

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	30/06/2019
Derivative financial instruments — IRS contract hedging the interest rate risk in respect of the loan	level 2	768
Total		768

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.

Other financial instruments were classified at level 2 of the fair value hierarchy.

During the period ended 30 June 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



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

may be due to a greater share of revenue from sources other than subscription services relating to providing the clients with telecommunications lines and collocation space. Such an increase in revenue occurred in the last quarters of the years 2012–2014, and in 2015–2018 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

On 28 June 2019, the Ordinary General Meeting of the Company decided to allocate the entire net profit of the Company for 2018, amounting to PLN 2,018,913, to the reserve capital.

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> 30/06/2019	<u>End of period</u> 31/12/2018
Bank guarantees for other entities:		
Guarantees issued by banks on behalf of the Company:	740	196
- performance bonds and tender bonds	740	196
Loan collateral		
Collateral pledge	52,909	45,267
Promissory notes and mortgages:	110,320	110,408
- bank loan collateral	110,320	110,408
Total	163,969	155,871

20. SIGNIFICANT EVENTS AFTER THE END OF THE HALF YEAR

- On 1 July 2019 – 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 – the Company's Supervisory Board allocated the third tranche of series A subscription warrants, i.e. a total of 200,398 subscription warrants.
- On 26 July 2019, the Supervisory Board of the Company appointed an entity responsible for reviewing and auditing the financial statements of ATM S.A. for 2019 and 2020. The entity appointed was Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw.

21. INCENTIVE SCHEME

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



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

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 Annual Report for 2018. In the first half of 2019, the Company's income statement included costs of the incentive scheme in the amount of PLN 390 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	208.901	8.54
Exercised during the period	0	n/a
Outstanding at the end of the period	1.425.965	8.54

The average remaining life of warrants at the end of the first half of 2019: 1.05 year.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board	2 September 2019	
Tomasz Galas	Vice President of the Management Board	2 September 2019	

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	2 September 2019
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B. MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF ATM S.A. IN THE FIRST HALF OF 2019

(OTHER DISCLOSURES 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 Szcześniewski – 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:

- Piotr Sieluk – Chairperson of the Supervisory Board,
- Mariusz Grendowicz – 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 Szcześniewski 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.

On 28 June 2019, the Ordinary General Meeting of the Company appointed the following members to the Supervisory Board of the Company: Mr Piotr Sieluk, Mr Mariusz Grendowicz, Mr Tomasz Czechowicz, Mr Przemysław Głębocki, Mr Tomasz Jacygrad, Mr Maciej Kowalski and Mr Sebastian Millinder.

At the same time, the Ordinary General Meeting of the Company appointed Mr Piotr Sieluk as Chairman of the Supervisory Board and Mr Mariusz Grendowicz as Vice Chairman of the Supervisory Board.



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 SEMI-ANNUAL REPORT AND INDICATION OF CHANGES IN THE OWNERSHIP STRUCTURE OF LARGE BLOCKS OF SHARES OF THE ISSUER IN THE PERIOD FROM THE SUBMISSION OF THE PREVIOUS PERIODIC REPORT

<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 in accordance with the previous quarterly report</u>	<u>Number of shares according to the current semi-annual 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 INTERIM REPORT

<u>Name and surname</u>	<u>As at 20 May 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>As at 2 September 2019</u>
Daniel Szcześniewski *	221,088	57,544	-	278,632
Tomasz Galas *	238,751	39,881	-	278,632
Piotr Sieluk *	318,004	45,430	-	363,434

**) 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 41 thousand in the first half of 2019 and PLN 19 thousand in the first half 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 420 thousand in the first half of 2019 and PLN 453 thousand in the first half 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 390 thousand in the first half of 2019 and PLN -11 thousand in the first half 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 1,390 thousand in the first half of 2019 and PLN 1,542 in the first half 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 238 thousand in the first half of 2019 and PLN 222 thousand in the first half of 2018 – presented in the table below under “other operating expenses (income)”.

	<u>For the period</u> <u>01/01–30/06/2018</u> <u>(according to the</u> <u>approved</u> <u>financial</u> <u>statements –</u> <u>before</u> <u>restatement)</u>	<u>For the period</u> <u>01/01–</u> <u>30/06/2018</u> <u>(restated)</u>	<u>Differen</u> <u>ce</u>	<u>For the period</u> <u>01/01–30/06/2019</u> <u>(before</u> <u>restatement)</u>	<u>For the period</u> <u>01/01–</u> <u>30/06/2019</u> <u>(restated)</u>	<u>Differen</u> <u>ce</u>
Operating profit (loss)	4,671	4,671	-	9,950	9,950	-
Depreciation and amortisation	16,186	16,186	-	24,341	24,341	-
EBITDA	20,857			34,291		
Adjustments, of which:	-	2,189	2,189	-	(6,212)	(6,212)
General and administrative expenses	-	2,015	2,015	-	1,851	1,851
Other operating expenses (income)	-	211	211	-	628	628
Restructuring costs	-	(37)	(37)	-	1,469	1,469
Elimination of the effect of implementation of IFRS 16 – operating revenue (adjustment)	-	-	-	-	(261)	(261)
Elimination of the effect of implementation of IFRS 16 – operating expenses (adjustment)	-	-	-	-	(1,525)	(1,525)
Elimination of the effect of implementation of IFRS 16 – amortisation and depreciation (adjustment)	-	-	-	-	(8,374)	(8,374)
Adjusted EBITDA	20,857	23,046	2,189	34,291	28,079	(6,212)

	<u>For the period</u> <u>01/04–30/06/2018</u> <u>(according to the</u> <u>approved</u> <u>financial</u> <u>statements –</u> <u>before</u> <u>restatement)</u>	<u>For the period</u> <u>01/04–</u> <u>30/06/2018</u> <u>(restated)</u>	<u>Difference</u>	<u>For the period</u> <u>01/04–</u> <u>30/06/2019</u> <u>(before</u> <u>restatement)</u>	<u>For the period</u> <u>01/04–</u> <u>30/06/2019</u> <u>(restated)</u>	<u>Difference</u>
Operating profit (loss)	2,650	2,650	-	4,814	4,814	-
Depreciation and amortisation	8,238	8,238	-	12,283	12,283	-
EBITDA	10,888			17,098		
Adjustments, of which:	-	821	821	-	(2,195)	(2,195)
General and administrative expenses	-	679	679	-	1,367	1,367
Other operating expenses (income)	-	179	179	-	558	558
Restructuring costs	-	(37)	(37)	-	453	453



Elimination of the effect of implementation of IFRS 16 – operating revenue (adjustment)	-	-	-	-	75	75
Elimination of the effect of implementation of IFRS 16 – operating expenses (adjustment)	-	-	-	-	(482)	(482)
Elimination of the effect of implementation of IFRS 16 – amortisation and depreciation (adjustment)	-	-	-	-	(4,166)	(4,166)
Adjusted EBITDA	10,888	11,709	821	17,098	14,903	(2,195)

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 half of 2019, the Company posted very good financial results. When analysing the performance in this period, it is important to mention the following:

- an increase in total revenue by 7% y/y, driven by the continuously growing Data Center Services segment (+15% y/y) and the revenue from the Telecommunications Services Segment which has remained at a consistent level since the beginning of 2016 (up by 1% y/y in the first half of 2019);
- a slight year on year decrease in the cost of sales, accompanied by an upward trend in revenue, as mentioned above;
- an improvement in the return on total sales by 2.7 p.p. (up to 61.3% in the first half of 2019) — as a consequence of the factors listed in the previous indents;
- an increase in general and administrative expenses by approx. 2% y/y, which resulted mainly from the need to incur significant one-off costs related to the improvement of ATM's process efficiency.

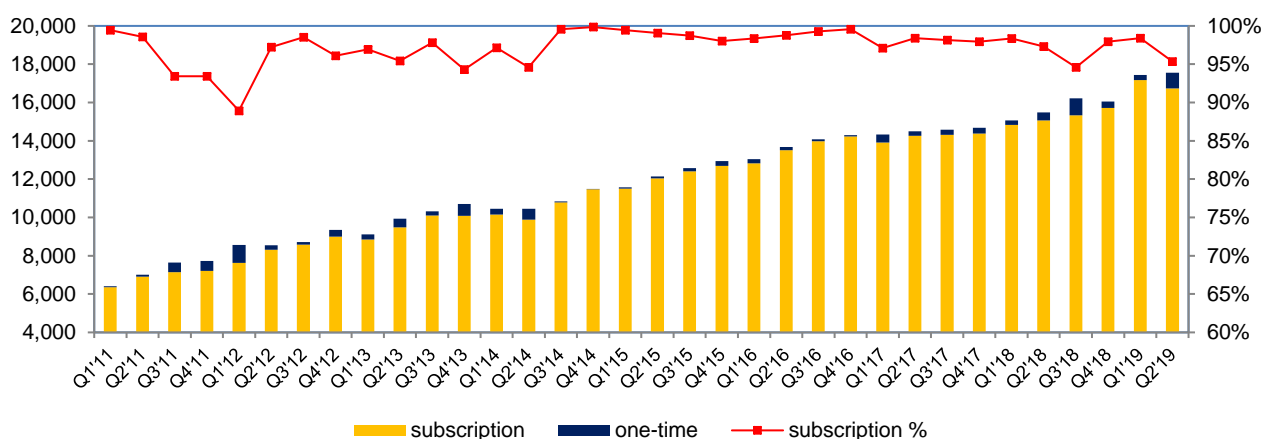
In the past six months, EBITDA increased by nearly 22% y/y, reaching PLN 28 million, a record level in the Company's history. Traditionally, nearly 100% of total revenue was of a recurring and subscription-based nature which makes the Company's prospects for subsequent financial periods very promising.

A more detailed discussion of results in particular operating segments is presented further below.

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	Q2'19
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	17,558
of which: subscription revenue	13,906	14,270	14,319	14,378	14,826	15,067	15,336	15,720	17,167	16,739

Revenues from data center services segment [PLN thousand]



In the first half of 2019, revenue in the Data Center Services Segment increased by nearly 15% y/y (+4.5 million PLN – to 17.6 million PLN) which was primarily attributable to:

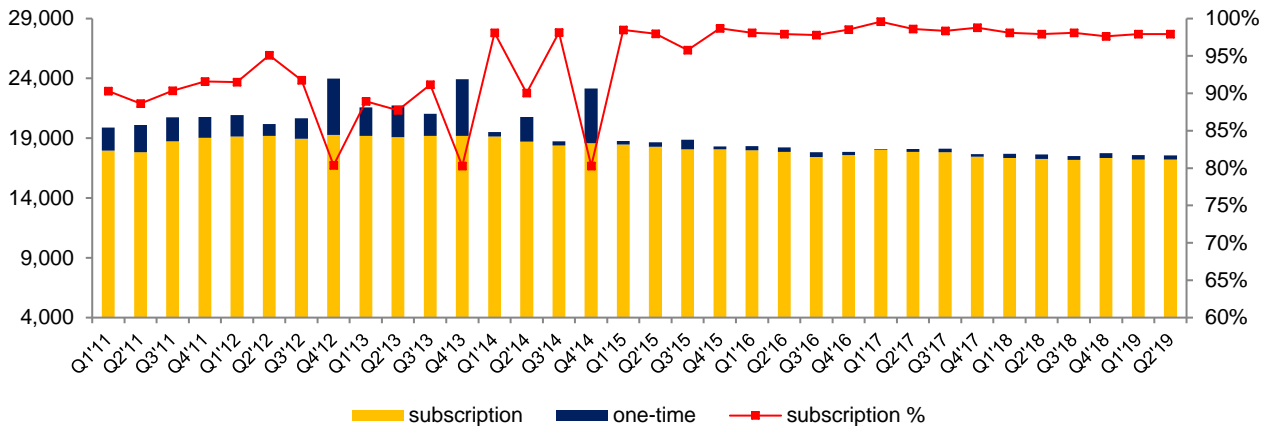
- continued increase in subscription-based revenue related to the colocation services (+7% y/y – Rack, Box, Data Room) and to cloud services (a strong increase in sales of Atman Cloud services – increase by PLN 0.7 million y/y);
- maintaining over 26% growth rate of revenue from lease of dedicated servers (year on year);
- a 14% increase in sales of data security services, including, in particular, services of Backup Offices.

Costs of sales of the Data Center Services Segment increased by 10% y/y, which – accompanied by a strong increase in the segment's revenue – allowed the segment to improve its sales profitability by 1.5 percentage points. The profit on sales earned by this segment in the first half of this year accounted for approximately 56% of the total profit on sales of ATM. The Segment's Result, understood as the profit on sales less the payroll costs of the staff of divisions responsible for the performance of services, increased over the past six months by approx. 18% y/y.

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	Q2'19
Revenue from the Telecommunications Services Segment	18,854	18,757	18,813	18,477	18,398	18,388	18,359	18,652	18,495	18,495
of which: subscription revenue	18,778	18,504	18,514	18,260	18,062	18,021	18,024	18,232	18,129	18,128

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 half of 2019, the Telecommunications Services Segment posted slightly higher total revenue as compared with the corresponding period of the previous year (+1% y/y), while maintaining an unchanged structure of subscription-based and non-subscription based revenue.

The costs of sales of the Telecommunications Services Segment were reduced by 5% y/y (down by PLN 1 million to PLN 17.4 million), mainly owing to the consistently implemented strategy to renegotiate costs with suppliers and the optimisation of network equipment maintenance costs.

As a consequence of maintaining a relatively constant level of revenue and reducing costs, the segment's profitability of sales increased by 2.9 percentage points – to 53%. Compared to the previous year, the Segment's result in terms of value increased by PLN 1.3 million.

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 and its cash flows, 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 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 1.4 million in the first half of 2019 – non-cash item).
- the Issuer's restructuring costs in the amount of PLN 1.5 million (in the first half of 2019);
- impairment loss on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 5.5 million, recognised in the first half of 2019 and included in the Issuer's Income Statement, under financial expenses.
- dividend received in the first half of 2019 from an associate, Linx Telecommunications Holding B.V., in the amount of PLN 1.8 million;
- recognition of costs from the measurement of loan at adjusted cost, amounting to PLN 0.2 million (in the first half of 2019 – a non-cash item).



RISK FACTORS

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

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

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

Risk associated with human resources

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

The Company's experiences so far show that the Issuer's situation concerning staff is stable, the employees and managers are involved in the development of the company.

Risk related to forecasts and planning

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

Risk connected with strong competition

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

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

One of the most important external factors which condition the development of the Issuer's Company is a constant growth of demand for transfer, processing and archiving of information which creates conditions for constant increase in demand for the services provided by the Issuer in the area of data transmission for companies and institutions, as well as data center (collocation) services.

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

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



- tangible benefits of locating own equipment in close proximity of the equipment and connection lines of business partners and customers — such possibilities are offered only by data centers, concentrating wide range of stakeholders from different sectors,
- dynamic development of the market for financial services, in which e-commerce and the need to handle large volumes of transactions per unit of time are becoming 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 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, 68% 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 first half 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 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.

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

The Company's performance in the first half of 2019 slightly exceeds the values assumed in the forecast published in Current Report No 16/2019 of 20 May 2019. Based on the above, as well as on the current



knowledge of the Company's operations at present and in the future, the Management Board believes that it is highly probable that the aforementioned full-year forecast for 2019 will be implemented.

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		2 September 2019
Tomasz Galas	Vice President of the Management Board		2 September 2019



SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka

Chief Accountant

2 September 2019



REPRESENTATION OF THE MANAGEMENT BOARD

Under Decree of the Minister of Finance dated 29 March 2018 on current and periodic information issued by the issuers of securities, the Management Board of ATM S.A. declares that, to its best knowledge, these interim condensed financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and they give a correct, true and fair view of the asset and financial situation of ATM S.A. and its financial performance.

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

These interim condensed financial statements have been drawn up in accordance with the accounting principles compliant with International Financial Reporting Standards ("IFRS") as approved by the European Union and to the extent required by the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information submitted by the issuers of securities (Journal of Laws of 2018, item 757). The statements cover the period from 1 January to 30 June 2019.

The Management Board represents that the entity authorised to audit and review the financial statements, which reviewed the interim financial statements, was selected pursuant to applicable laws, and that this entity as well as the statutory auditors who reviewed these statements fulfilled the conditions for issuing an impartial and independent review report, pursuant to applicable regulations and standards of the profession. In accordance with the corporate governance rules adopted by the Management Board, the statutory auditor was selected by the Supervisory Board of the Company on 26 July 2019. The Supervisory Board made the above-mentioned selection, taking into consideration ensuring the complete independence and objectivity for the said selection and the tasks performance by the statutory auditor.

President of the Management Board
Board

Vice President of the Management Board

Daniel Szcześniewski

Tomasz Galas

Warsaw, 2 September 2019

Warsaw, 2 September 2019