ARCUS Spółka Akcyjna

www.arcus.pl

Consolidated financial Statement of Arcus Group for the period of 1 January 2017 – 31 December 2017

Warsaw, 27 April 2018

1 DATA REGARDING THE ANNUAL FINANCIAL STATEMENT OF ARCUS GROUP

1.1 SELECTED FINANCIAL DATA

	SELECTED FINANCIAL DATA	PLN THOUSAND		EUR THOUSAND	
		Year ended 31.12.2017	Year ended 31.12.2016	Year ended 31.12.2017	Year ended 31.12.2016
I	Sales revenues	141 676	121 029	33 377	27 660
II	Profit (loss) on operating activities	3 593	-4 410	847	-741
III	Profit (loss) before tax	4 115	-5 512	969	-1 008
IV	Profit (loss) on consolidation	403	-5 220	95	-1 260
V	Profit (loss) attributable to the shareholders of a Dominant Entity	1 266	-5 512	298	-1 193
VI	EBITDA	6 566	-443	1 547	-101
VII	Comprehensive income	403	-5 512	95	-1 260
VIII	Comprehensive income attributable to the shareholders of a Dominant Entity	1 266	-5 220	298	-1 193
IX	Net Cash Flows from operating activities	5 875	3 765	1 384	860
X	Net Cash Flows from investing activities	-1 962	-756	-462	-173
XI	Net Cash Flows from financing activities	-3 191	-6 309	-746	-1442
XII	Change in cash	744	-3 300	175	-754
XIII	Net profit (loss) and diluted net profit (loss) per share attributable to the shareholders of a Dominant Entity	0,17	-0,71	0,04	-0,16

		as at 31.12.2017	as at 31.12.2016	as at 31.12.2017	as at 31.12.2016
XIV	Total assets	114 378	102 114	27 423	23 082
XV	Long-term liabilities	22 002	8 204	5 275	1 854
XVI	Short-term liabilities	45 412	46 794	10 888	10 577
XVII	Equity	46 963	47 116	11 260	10 650
XVIII	Equity attributable to the shareholders of a Dominant Entity	43 615	42 640	10 457	9 638
XIX	Share capital	732	732	176	172
XX	Weighted average number of shares	7 320 000	7 320 000	7 320 000	7 320 000
XXI	Book value and diluted book value per share attributable to the shareholders of a Dominant Entity	5,96	5,83	1,43	1,32

1.2 The rules applied for converting financial data

Financial data in EUR were calculated according to the following rules:

– individual items of assets and liabilities – according to exchange rate as at 31.12.2016 - 4,424 PLN/EUR; 31.12.2015 - 4,2615 PLN/EUR; 31.12.2014 - 4,2623 PLN/EUR

– individual items of the statement of comprehensive income and the cash flow statement – according to exchange rate calculated as arithmetic mean of the exchange rates announced by the National Bank of Poland prevailing on the last day of each month:

- for the period of 1 January 2016 – 31 December 2016: 4,3757 PLN/EUR
- for the period of 1 January 2015 – 31 December 2015: 4,1848 PLN/EUR
- for the period of 1 January 2014 – 31 December 2014: 4,1893 PLN/EUR

1.3 Balance sheet

Balance sheet

Assets

	Note	as at 31.12.2017	as at 31.12.2016
FIXED ASSETS			
Tangible assets	15	3 532	4 348
Intangible assets	16	7 757	7 348
Goodwill on consolidation	17	13 826	13 808
Long-term receivables	19	6 357	7 681
Deferred income tax assets		4 413	7 743
Total		35 885	40 928
CURRENT ASSETS			
Inventories	20	9 281	9 964
Trade receivables and other receivables	21	66 936	49 667
Loans granted		452	476
Cash	22	1 824	1 080
Total		78 493	61 186
TOTAL ASSTES		**114 378**	**102 114**

Liabilities

	Note	as at 31.12.2017	as at 31.12.2016
Equity attributable to the shareholders of a Dominant Entity			
Share capital	23	732	732
Share premium	24	37 631	37 631
Other reserves		143	143
Retained earnings	25	5 110	4 134
Total		43 616	42 640
Non-controlling interests		3 347	4 476
Equity – total		46 963	47 116
Long-term liabilities			
Deferred income tax reserve		4 877	4 528
Provisions for liabilities	26	340	434
Other long-term liabilities	27	16 785	3 242
Total		22 002	8 204
Short-term liabilities			
Short-term loans and credits	32	2 218	4 291
Trade liabilities and other liabilities	28	42 449	41 812
Income tax liabilities			
Provisions for liabilities	26	746	691
Total		45 413	46 794
Other liabilities			
TOTAL LIABILITIES		**114 378**	**102 114**

1.4 Profit and loss account

Profit and loss account	Note	year ended 31.12.2017	year ended 31.12.2016
Sales revenues	6	141 676	121 029
Costs of products, goods and materials sold	8	-104 333	-88 904
Gross profit (loss) from sales		37 343	32 126
Other operating income	9	1 364	1 439
Costs of sales	8	-22 501	-23 497
General administrative expenses	8	-12 199	-10 110
Other operating expenses	9	-415	-3 200
Operating income (loss)		3 592	-3 243
Financial income	11	861	104
Financial costs	12	-339	-1 271
Profit (loss) before tax		4 114	-4 410
Income tax:	13	-3 711	-1 102
Current income tax			
Deferred income tax		-3 711	-1 102
Net profit (loss)		403	-5 512
Profit (loss) attributable to:			
Shareholders of a Dominant Entity		1 266	-5 220
Minority Shareholders		-863	-292
Profit (loss) per share attributable to Shareholders of a Dominant Entity			
Ordinary and diluted	14	0,17	-0,71

1.5 Statement of comprehensive income

Statement of comprehensive income	Note	year ended 31.12.2017	year ended 31.12.2016
Net profit (loss)		403	-5 512
Items that will not be recognized in the financial result in future			
Comprehensive income for the period		403	-5 512
Comprehensive income for the period attributable to:			
Shareholders of a Dominant Entity		1 266	-5 220
Minority Shareholders		-863	-292

1.6 Statement of cash flows

Statement of cash flows

	year ended 31.12.2017	year ended 31.12.2016
	PLN thousand	
Cash flows from operating activities		
Profit before tax	4 115	-4 410
Adjustments	1 759	8 175
Depreciation and amortisation	2 973	2 800
Interests received	248	302
Result on investing activities	-5	-501
Change in inventories	-682	3 057
Change in receivables	-15 945	-6 194
Change in liabilities and reserves	15 096	8 681
Other	74	30
Net cash from operating activities	5 874	3 765
Cash flows from investing activities		
Inflows	704	1 266
Disposal of intangible and tangible fixed assets	304	1 071
Repayment of loans	400	195
Interests		
Ouflows	-2 666	-2 022
Purchases of intangible and fixed tangible assets	-2 466	-1 962
Loans granted	-200	-60
Net cash from investing activities	-1 962	-756
Cash flow from financing activities		
Inflows	30	99
Interests	30	16
Other	0	83
Outflows	-3 198	-6 408
Dividends and other payments to the owners	-200	-567
Repayment of credits and loans	-2 073	-4 856
Financial lease payments	-671	-644
Interests paid	-254	-341
Net cash from financing activities	-3 168	-6 309
Change in cash	**744**	**-3 300**
Cash at the beginning of the period	1 080	4 380
Cash at the end of the period	**1 824**	**1 080**

1.7 Statement of changes in equity

For the period from 1 January 2017 to 31 December 2017

	Equity attributable to the shareholders of a Dominant Entity				
	Share capital, reserve capital share premium	Retained earnings	Total	Equity attributable to Minority Shareholders	Equity total
As at 1 January 2017	**38 506**	**4 134**	**42 640**	**4 476**	**47 116**
Net Profit/loss for the period	0	1 266	**1 266**	-863	**403**
Comprehensive income - Total	0	1 266	**1 266**	-863	**403**
Dividend in subsidiaries	0	-290	**-290**	-266	**-556**
As at 31 December 2017	**38 506**	**5 110**	**43 616**	**3 347**	**46 963**

For the period from 1 January 2017 to 31 December 2017

	Equity attributable to the shareholders of a Dominant Entity				
	Share capital, reserve capital share premium	Retained earnings	Total	Equity attributable to Minority Shareholders	Equity total
As at 1 January 2016	**38 506**	**9 396**	**47 902**	**163**	**48 065**
Net Profit/loss for the period	0	-5 220	**-5 220**	-292	**-5 512**
Comprehensive income - Total	0	-5 220	**-5 220**	-292	**-5 512**
Dividend in subsidiaries	0	-290	**-290**	-266	**-556**
Consolidation of a subsidiary				5 050	**5 050**
Change of capital - share capital increase in subsidiary		248	**248**	-179	**69**
As at 31 December 2016	**38 506**	**4 134**	**42 640**	**4 476**	**47 116**

2 ADDITIONAL INFORMATION REGARDING THE ACCEPTED ACCOUNTING PRINCIPLES (POLICY) AND OTHER EXPLANATORY NOTES

3 Key information

Dominant Entity

ARCUS S.A. has been already operating for 30 years and according to the Company's Articles of Association, its duration is unlimited. The entity as a Joint Stock Company was incorporated on 6 November 2006 as a result of transformation of a limited liability company operating under the business name of ARCUS Sp. z o.o. ARCUS S.A. was registered by the relevant court on 2 January 2007. The Company's registered office and place of business is at the following address: 5/7 Kolejowa Street, Warsaw. The Company is registered by the District Court for the City of Warsaw, 12th Commercial Division of the National Court Register under the following number: 0000271167. The shares of ARCUS S.A. are admitted to trading on the Warsaw Stock Exchange since 19 June 2008. In August 2008 new B-series shares were issued in the amount of 2 296 681. In 2009 C-series bonus shares were issued. 98 476 C-series shares were subscribed for. In 2014, 75 157 own shares were redeemed while the remaining shares were designated as D-series.

ARCUS S.A. operates under the provisions of the Commercial Companies Codes and is subject to the provisions of the Act of 29 July 2005 on Trading in Financial instruments and the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

According to our best knowledge, the shareholding structure of ARCUS S.A. as at balance sheet day was as presented below:

Shareholding structure	Number of shares = Number of votes	Nominal value of shares held (PLN)	Share in the share capital = share in the total number of votes
MMR Invest S.A.	4 800 000	480 000	65,6%
Other	2 520 000	252 000,00	34,4%
TOTAL	7 320 000	732 000,00	100,0%

(1) Marek Czeredys, Michał Czeredys and Rafał Czeredys are dominant entities in MMR Invest S.A.

The data in the consolidated financial statement have been presented in PLN thousand unless otherwise indicated. Polish zloty (PLN) shall be the functional and reporting currency of the Group.

Core business of ARCUS S.A. Group involves the following areas:

- Sale, lease and maintenance of printing and copying devices of Japanese company – Kyocera Document Solutions,
- document and correspondence management systems,
- ICT solutions integration (information and communication technologies),
- Telematics solutions (integrated fleet management and monitoring systems) and telemetry solutions (smart grid and smart metering).

Management Board

As at 1 January 2017, the composition of the Management Board was as follows:

- Michał Czeredys – President of the Management Board
- Rafał Czeredys – Member of the Management Board

As at 31 December 2017 and as at the day of the financial statement hereof publication, the composition of the Management Board was as follows:

- Michał Czeredys – President of the Management Board
- Rafał Czeredys – Member of the Management Board

Supervisory Board

According to ARCUS S.A. Articles of Association, the Company's Supervisory Board shall be composed of 5 to 10 members. As at 1 January 2017, the composition of the Supervisory Board was as follows:

- Marek Czeredys – Chairman of the Supervisory Board
- Tomasz Konewka – Vice-Chairman of the Supervisory Board
- Krzysztof Franciszek Przybył – Member of the Supervisory Board
- Bogusław Wasilewko – Member of the Supervisory Board
- Leszek Lechowski – Member of the Supervisory Board
- Michał Łotoszyński – Member of the Supervisory Board

As at 31 December 2017 and as at the day of the financial statement hereof publication, the composition of the Supervisory Board was as follows:

- Marek Czeredys – Chairman of the Supervisory Board
- Tomasz Konewka – Vice-Chairman of the Supervisory Board
- Krzysztof Franciszek Przybył – Member of the Supervisory Board
- Bogusław Wasilewko – Member of the Supervisory Board
- Leszek Lechowski – Member of the Supervisory Board
- Michał Łotoszyński – Member of the Supervisory Board

ARCUS GROUP

ARCUS S.A. Group is composed of the following entities:

– ARCUS SA as a dominant entity
– Subsidiary undertaking - Arcus Systemy Informatyczne Sp. z o.o.
– Subsidiary undertaking - T-matic Systems SA
– Subsidiary undertaking - Geotik Sp. z o.o.
– Subsidiary undertaking - Sp. z o.o.
– Subsidiary undertaking - Sp. z o.o. and its subsidiary undertaking - LMT Sp. z o.o. incorporated in 2016
– Arcus Kazachstan – not pursuing business operations.

ARCUS SA - dominant entity with its registered office in Warsaw at 5/7 Kolejowa Street, registered by the District Court for the City of Warsaw, 12th Commercial Division of the National Court Register under the number KRS 0000271167. Core business of ARCUS S.A. involves sales, lease and maintenance of printing and copying devices of Japanese company – Kyocera Document Solutions, document and correspondence management systems as well as ICT solutions integration (information and communication technologies).

Arcus Systemy Informatyczne Sp. z o.o. (ASI) with its registered office in Lublin at 9a Wojciechowska Street, registered by the District Court for the City of Lublin-Wschód with its seat in Świdnik, 6th Commercial Division of the National Court Register under the number KRS 0000031806. The company provides consultancy, implementation and maintenance services in the field of Enterprise Resource Planning (ERP) to public institutions. Satore Sp. z o.o. is ASI company’s affiliated undertaking. Satore Sp. z o.o. does not pursue business operations.

T-matic Systems SA („T-matic”) with its registered office in Warsaw at 5/7 Kolejowa Street, registered by the District Court for the City of Warsaw, 12th Commercial Division of the National Court Register under the number KRS 0000444112. The core business of T-matic involves provision delivery and development of smart grids for electricity, heating, gas and water supply sectors.

Geotik Sp. z o.o. with its registered office in Warsaw at 5/7 Kolejowa Street, registered by the District Court for the City of Warsaw, 12th Commercial Division of the National Court Register under the number KRS 0000444112. The core business of Geotik involves provision of telematics services (fleet monitoring) for passenger, lorry and working machinery transport.

Docusoft Sp. z o.o., with its registered office in Bielsko-Biała at 153 Warszawska Street, registered by the District Court for the City of Bielsko-Biała, 7th Commercial Division of the National Court Register under the number KRS 0000204275. The Company's core business involves software development and implementation of document workflow management systems.

Durau Sp. z o.o., with its registered office in Wrocław at 40 Robotnicza Street, registered by the District Court for the City of Wrocław, Commercial Division of the National Court Register under the number KRS 0000490845. The company’s core business involves establishing a nationwide purchasing group operating in the energy and fuel sectors and offering services to SMEs.

Arcus Kazachstan Sp. z o.o with its registered office in Astana. Arcus Kazachstan Sp. z o.o. does not pursue business operations.

Statement of the Management Board

Statement on the reliability of the consolidated financial statement

On the basis of the of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of non-member state (as amended), the Management Board of ARCUS S.A. hereby declares that to the best of its knowledge the consolidated annual financial statement hereof as well as comparative data have been prepared in accordance with applicable accounting rules and present fairly and clearly the economic and financial situation of ARCUS S.A. Group and its financial result, and that the annual Management Board's report on ARCUS S.A. Group's activities comprises a comprehensive view of development and achievements of ARCUS Group, including description of fundamental risks.

The Management Board of ARCUS S.A. hereby declares that DORADCA Auditors Sp. z o.o. is authorized to audit the financial statement and has been selected in accordance with the law. DORADCA Auditors Sp. z o.o. and its statutory auditors met the conditions for issuing an impartial and independent audit opinion in accordance with applicable regulations and professional standards. The statutory auditor was selected by the resolution of the Supervisory Board of 9 June 2017 to audit and review the separate and consolidated financial statements of ARCUS S.A.

Warsaw, 27 April 2018

…………………………………….
Michał Czeredys

President of the Management Board

…………………………………….
Rafał Czeredys

Member of the Management Board

4 ACCOUNTING PRINCIPLES

4.1 Basis for preparing financial information

Presented consolidated financial statement has been prepared for the year ended 31 December 2017. The comparative data cover the year ended on 31 December 2016. The Group's financial year is the calendar year. The Group has no discontinued operations. The financial statement has been prepared with the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of financial statement preparation, there are no circumstances indicating a threat to the continuation of Group's business operations.

4.2 Statement of compliance

Presented consolidated financial statement covering the period from 1 January 2017 to 31 December 2017 and comparative data for the period from 1 January 2016 to 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and includes the information required by the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities.

4.3 New accounting principles and interpretations of the International Financial Reporting Standards Interpretations Committee

The accounting policies and calculation methods adopted for the preparation of this consolidated financial statement are consistent with the principles set out in the approved financial statement of Arcus S.A. Group prepared in accordance with IFRS for the year ended 31 December 2016.

Standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, which have been published but have not entered into force:

- IFRS 9 "Financial Instruments" published on 24 July 2014 and effective for annual periods beginning on 1 January 2018;
- IFRS 15 "Revenue from Contracts with Customers" published on 28 May 2014, effective for annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 16 on leasing accounting - a standard not yet adopted by the European Commission; the date of the planned approval has not been determined;
- IFRS 14 "Regulatory Deferral Accounts" was published on 30 January 2014; until the date of publication of this financial statement not approved by the EU; effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - sale or transfers of assets between the investor and the associate or joint venture (the date of entry into force has been postponed indefinitely);
- Amendments to IAS 12 "Recognition of deferred income assets for unrealized losses" - effective for annual periods beginning on or after 1 January 2017; until the date of publication of this financial statement not approved by the EU;
- Amendments to IAS 7 "Disclosure Initiative" - requirement to disclose the reconciliation of changes in liabilities resulting from financing activities, the division into changes being cash and non-cash flows - effective for annual periods beginning on or after 1 January 2017; until the date of publication of the financial statement hereof not approved by the EU.

The Group has not decided for the early application of any standard, interpretation or amendment that has been issued but has not yet come into force. In the opinion of the Management Boards of the Group's companies, the above-mentioned standards and interpretations will not have a significant impact on the accounting policy applied so far by the Group.

4.4 Accounting judgments and estimates

Some of the information presented in this financial statement is based on estimates and professional judgment. Therefore, the expected cash flows depend on the performance of future events, which are not always certain and under control of the Group's Management Board.

Contracts for the supply of goods and maintenance of equipment and devices

Some contracts for the supply of goods and maintenance of equipment are recognized jointly. Total margin based on estimates is allocated to the part relating to the sale of equipment and to the part relating to the sale of services, which is settled over the duration of the contract. The value of the margin to be settled in future periods is presented in the balance sheet assets as accruals under the item "Trade receivables and other receivables".

Depreciation rates

Depreciation rates are determined based on the estimated economic useful life of tangible fixed assets and intangible assets. The Group's companies annually review the economic useful life periods based on current estimates.

Impairments losses on tangible assets

The Group's companies review the assets for potential impairment at least once a year. At the same time, if there are indications of impairment during the financial year, a test and revaluation write-offs are made at the time of their occurrence. The estimates of impairment in subsidiary undertakings are based on three-year financial forecasts adopted by the Management Boards of Group's companies. Information about the performed tests is presented in Note 3.5.3.

Impairment losses on inventories

Inventories are measured at purchase price or manufacturing cost, not higher than net realizable value. Depending on the assessment of the suitability of inventories and market conditions in terms of their sales, the value of these assets for Group's companies may change.

Provisions for impairment of receivables

The Group's companies recognize provisions for impairment of overdue receivables or doubtful receivables, including claims for compensation for unreasonable performance of the guarantee. Depending on the assessment of the collectability of these receivables, the value of these assets may change.

Provisions for liabilities

The Group's companies recognize provisions for certain or highly probable liabilities which amount can be reliably estimated. In connection with the claim of Energa Operator S.A. described in paragraph 30, the Management Board of ARCUS S.A. – in accordance with collected documentation and based on the opinion of external legal firm – believes that mentioned claim is unfounded, and the potential cash outflow in connection with this claim is unlikely. Bearing in mind the above, no provisions relating to described dispute as at the balance sheet date were recognized.

Deferred income tax assets

The Group's companies recognize the deferred income tax assets. The estimates regarding calculation of deferred tax relates mainly to the recognition of deferred tax assets arising from accumulated tax losses, established provisions and lease receivables and liabilities. Estimates of the feasibility of tax losses are based on five-year forecasts approved by the Management Boards of Group's companies.

Non-invoiced revenue

The Group recognizes revenues from long-term contracts in accordance with the adopted accounting policy. Depending on the assessment of the probability of revenue, a possible write-off is recognized.

5 OUTLINE OF KEY ACCOUNTING PRINCIPLES

5.1 Basis of consolidation

The consolidated financial statement contains the financial statement of a Dominant Entity and the statements of entities controlled by the Dominant Entity prepared as at 31.12.2017 and 31.12.2016.

ARCUS S.A. exercises control over its subsidiaries – T-matic Systems Sp. z o.o. and Docusoft Sp. z o.o. respectively since 29 July 2008 and 24 May 2011. In July 2014, as a result of acquisition of shares, ARCUS S.A. took the control of Arcus Systemy Informatyczne Sp. z o.o. In 2014, ARCUS S.A. acquired the shares in Arcus Kazachstan Sp. z o.o., which as at the date of the financial statement hereof preparation, does not perform business operations. In the reporting period, T-matic Systems S.A. as a subsidiary of ARCUS S.A. took the control of a newly incorporated entity – Geotik Sp. z o.o.

The control is when the dominant entity has the ability to influence the financial and operating policies of an entity so as to obtain benefits from its business operations.

At the acquisition date, the assets and liabilities of the acquired entity are measured at their fair value. The excess of the acquisition price over the fair value of the entity's identifiable net assets is recognized as goodwill. Where the acquisition price is lower than the fair value of the identifiable entity's net assets, the difference is recognized as profit in the profit and loss account of the period in which the acquisition occurred. Non-controlling interests are disclosed in an appropriate proportion of the fair value of assets and capital. In subsequent periods, losses attributable to non-controlling interests exceeding the value of their shares, decrease the Group's equity. The financial performance of an entity acquired during the year is recognized in the consolidated financial statement as from the date of acquisition / loss of control. Subsidiaries are consolidated using the full method. All transactions, balances, revenues and costs between related entities covered by consolidation are subject to consolidation exclusions.

5.2 Goodwill

Goodwill on consolidation is a result of a surplus (as at the acquisition date) of the cost of entity's acquisition over the fair value of the identifiable assets and liabilities of a subsidiary.
Goodwill is recognized as an asset and is subject to annual impairment tests. Potential impairment loss affects the result of the current period and is not subject to reversal in subsequent periods. For the purposes of the sale of a subsidiary, goodwill is taken into account in order to calculate profit or loss on sales.
Depending on the assessment of the prospects of the subsidiaries, the value of these assets for the group may change. In the opinion of the Management Board of a Dominant Entity, as at 31 December 2017, there were no conditions indicating the need to execute the revaluation of goodwill of subsidiaries, that is: Docusoft Sp. z o.o., T-matic Systems SA, Arcus Systemy Informatyczne Sp. z o.o. and Geotik Sp. z o.o. In these cases, annual goodwill impairment tests were carried out, which did not indicate the need for revaluation.

5.3 Intangible assets

Intangible assets include assets that do not have a physical character, are identifiable, can be measured reliably and in the future will result in economic benefits for the Group. Intangible assets are recognized in the books at purchase prices and are amortized on a straight-line basis over their economic useful lives.
The Group depreciates its intangible assets in the following periods:

- purchased software – 5 years,
- licenses and similar assets – 5 years.

In the case of software developed or acquired, which is only intended for use in a specific project, the period of redemption is equal to the duration of the project. In the case of licenses and similar values (e.g. certificates) their value is determined on the basis of the costs of obtaining them, and in the case of a specified license term or the term of a similar value, the redemption period is equal to that period. Expenditures on intangible assets which do not result in their improvement or extension of their useful life are charged to expenses as they are incurred. During the reporting period, the Group incurred the expenditures for development works.

As at the balance sheet date, intangible assets are measured at cost less any revaluation write-offs and impairment losses. ARCUS Group does not hold any intangible assets with indefinite useful life apart from goodwill. Depreciation methods and useful lives of intangible assets are subject to verification at each balance sheet date. ARCUS Group does not hold any intangible assets classified as "held for sale". In the reporting period the Group has not recognized any impairment losses on intangible assets.

5.4 Fixed tangible assets

Tangible fixed assets include fixed assets and fixed assets under construction, which the Group intends to use in its operations and for administrative purposes for a period longer than one year, which in the future will cause economic benefits to the entities. The initial value of tangible fixed assets is determined according to purchase price or production cost. Fixed tangible assets are depreciated on the basis of straight-line method over their economic useful life. In the balance sheet, fixed tangible assets are presented less depreciation or amortization charges and impairment losses. The Group's assets are depreciated over the following periods:

Group	Description of the Group	Depreciation period
Group 1	Buildings	10 years
Group 4	Machines and equipment	6 to 10 years
excluding		
	– computer hardware	3 years
Group 6	Technical devices	5 years
Group 7	Means of transport	5 years
Group 8	Tools, devices, movables and equipment	5 to 7 years

Costs incurred for the renovation, which do not result in the improvement or extension of the useful life of fixed asset are recognized as expense as they are incurred. ARCUS Group does not hold any intangible assets with indefinite useful life. Depreciation methods and useful lives of fixed tangible assets are subject to verification at each balance sheet date. ARCUS Group does not hold any fixed tangible assets classified as "held for sale". In the reporting period the Group has not recognized any impairment losses on fixed tangible assets. In the reporting period no restrictions were recognized as to the legal title to fixed tangible assets.

5.5 Financial assets

Financial instruments are classified in the following categories:

- held-to-maturity financial assets
- financial assets at fair value through profit and loss
- loans granted and receivables
- available-for sale-financial assets.

Held-to-maturity financial assets are the assets other than derivatives with fixed or determinable payments and fixed maturities, which the Group intends and has the ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest rate method. Financial assets measured at fair value through profit or loss are the assets acquired for resale and with the aim to achieve economic benefits resulting from short-term price changes and fluctuations of other market factors or short duration of the acquired instrument, as well as other financial assets, regardless of the intentions assumed while concluding the contract, if they represent a component of a portfolio of similar financial assets for which there is a high probability of economic benefits in a short-term. Arcus Group does not hold such financial assets. The fair value is considered the price that would be received by the entity for the sale of an asset or would be paid by the entity for the transferred liabilities in a routine transaction made between market participants at the measurement date. Financial assets at fair value through profit or loss are measured at fair value taking into account their market value at the balance sheet date, excluding transaction costs. Changes in the value of these financial instruments are recognized in the profit and loss account as financial income or expenses. ARCUS Group has no financial assets at fair value through profit or loss. Loans granted and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Granted loans and receivables are classified as current assets if their maturity does not exceed 12 months from the balance sheet date. Available-for-sale financial assets are non-derivative financial assets that do not belong to any of the three preceding categories. Available-for-sale financial assets are recognized at fair value, excluding recognition of the purchase cost, but with consideration of market value at the balance sheet date. Where the financial assets are not listed on the Warsaw Stock Exchange and it is not possible to determine their value in a different way, available-for-sale financial assets are measured at cost adjusted for impairment loss. Decrease in value of available-for-sale financial assets resulting from impairment loss is recognized as a financial cost, while the increase is recognized in the revaluation reserve.

As at 31 December 2017, the verification and fair-value tests were performed with regard to shares held by ARCUS S.A. in subsidiaries: Arcus Systemy Informatyczne Sp. z o.o., Docusoft Sp. z o. o., T-matic Systems S.A., Durau Sp. z o.o. and Geotik Sp. z o.o. In the case of the newly acquired company Geotik Sp. z o.o. the valuation carried out for the purposes of the share acquisition transaction was used.

Methodology for determination of recoverable amount

	Description of applied measurement methodology
Arcus Systemy Informatyczne Sp. z o.o.	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
T-matic Systems SA	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
Docusoft Sp. z o. o.	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
Durau Sp. z o.o.	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
Arcus Kazachstan	Replacement value
Geotik Sp. z o.o.	Valuation based on the income method applied for the purchase of shares on 22 December 2017

In assessing the value of financial assets corresponding to the values in the companies the going concern principle and the principle of growth markets were used. According to these assumptions, verifications of business models of particular entities were conducted with particular emphasis on their ability to generate revenues on core business, margins, financial results and cash flows. The valuation of the participating interests in particular entities was based on the following assumptions:

1. The valuation methodology is analogous to the methodology used in the preceding valuation, i.e. as at 31 December 2016, which was included in the reports for 2016.
2. The updates, compared to the previous valuation, include:
    a. update of operational and financial projections for the next 3 years, i.e. for the period 2018-2019

   b. update of parameters used for calculation of the weighted average cost of capital (WACC) and responsible for the increase of uncertainty in the implementation of key contracts (risk premiums) and increase of cost of capital based on the current terms for 10-year Treasury bonds.
3. Analysis of financial statements of companies for the years 2016-2017 and analytical compilation of data on individual balance sheet items.
4. Analysis of the implementation of the annual financial plans of companies for the year 2017.
5. Annual financial projections of companies for the year 2018.
6. The strategies of companies for the years 2018-2020.
7. Macroeconomic assumptions and projections for individual market segments.
8. For companies operating in multiple segments, a separate valuation based on economic performance and assets and liabilities assigned to the respective segments is made.
9. For individual valuations of participating interests, the sensitivity analysis is performed in respect of the significant factors affecting the business activity, including:
   a. weighted average cost of capital
   b. growth rates for residual value calculation.
10. In terms of volatility of exchange rates of EUR/PLN, USD/PLN and CPI inflation, an assessment was made as to the impact on the estimated value of companies. In the event a significant impact was identified, the potential value adjustments were determined.
11. Verification of the value of participating interests in companies is carried out with consideration of weighted average cost of capital plus additional premiums covering market risk premiums and specific risk premiums.

According to the tests carried out as at 31 December 2017, there were no premises for revaluation of the participating interests in Arcus Systemy Informatyczne Sp. z o.o., Docusoft Sp. z o. o., T-matic Systems S.A., Durau Sp. z o.o. The estimates have shown that future cash flows will be at least equal to the value as at the balance sheet date. The test was performed both for participating interests in individual companies as well as for the separated segments of their business. With regard to the goodwill of Geotik Sp. z o.o., the value from the income method (including DCF) was taken into account for the needs of the transaction of the acquisition of shares by ARCUS S.A. With reference to Arcus Kazachstan Sp. z o.o. a revaluation write-off was recognized based on the estimated value in use.

In addition, an analysis of the sensitivity of valuation of particular companies and value of participating interest and shares is performed. However, it must be borne in mind that, depending on the assessment of the prospects of particular companies and respective segments, the value of these assets for Arcus S.A., may change.

Sensitivity analysis

Sensitivity analysis did not disclose the significant risk of decreasing the valuation of individual companies or selected segments except for the valuation of T-Matic shares. In the case of estimating the value of T T-matic Systems SA, the considerable importance of projections for the years 2018-2020 shall be taken into account. The planned increase in sales revenues compared to previous periods, particularly related to the telemetry segment, is an additional uncertainty factor in respect of estimates. Projections of the energy market in Poland and the EU requirements for the implementation of smart meters are the basis for recognizing T-matic Systems SA projections as feasible.

For the purposes of T-matic Systems SA valuation, the projections were based on contracts for which there is a very high probability of performance. Contracts for smart meters with lower probability of execution were not included in projections used for valuation purposes. The assumed share of T-matic Systems SA in the market / contracts is <15%, which should be considered a very conservative assumption.

Because of a risk of non-execution / organization of tenders for implementation of solutions in the area of smart meters with regard to the valuation of T-Matics, as well as potential problems with financing IT contracts with EU funds in relation to the valuation of Arcus Systemy Informatyczne and uncertainty as to the development of energy broker market - in relation to Durau valuation, for valuation purposes, the market risk premium and the specific risk premium were increased.

T-matic Systems SA

Valuation according to DCF (PLN thousand)

Forecasting period	0	1	2	3
Forecasting year		2018	2019	2020
CF		652,6	8 025,5	5 837,9
interest expenses + tax adjustment		-309,5	1 383,3	1 096,1
return of debts		0,0	0,0	0,0
new debts		0,0	0,0	0,0
dividend		0,0	0,0	0,0
FCFE		343,1	9 408,8	6 934,0
FCFF		652,6	8 025,5	5 837,9
FCFF		652,6	8 025,5	5 837,9
DCF		578,0	6 286,0	4 039,0

(PLN thousand)	
The current value of free cash flows FCFF	6 864,0
Residual value	62 745,0
Current residual value	26 250,1
Gross value of the company	33 114,1
Net debt	9 894,2
Income value	23 219,9
Value of Arcus share	17 352,2

Financial projections 3y: 2018-2020

(PLN thousand)	2018	2019	2020
Revenues - total	9 834,9	183 380,2	130 496,8
Costs - total	8 870,2	175 039,7	124 560,0
EBIT[1]	964,6	8 340,5	5 936,9
Net profit	532,6	7 905,5	5 717,9

[1] EBIT- Earnings Before Interest & Taxes

Change WACC	2pp	1pp	0,5pp	0pp	-0,5pp	-1pp	-2pp
Valuation (PLN thousand)	18 966,7	23 005,2	25 403,0	28 115,2	31 203,2	34 745,5	43 629,5
change %	-32,5%	-18,2%	-9,6%		11,0%	23,6%	55,2%
change (PLN thousand)	-9 148,5	-5 110,0	-2 712,2		3 088,1	6 630,3	15 514,3

Change g	2pp	1pp	0,5pp	0pp	-0,5pp	-1pp	-2pp
Value g	4,0%	3,0%	2,5%	2,0%	1,5%	1,0%	0,0%
Valuation (PLN thousand)	37 911,0	32 345,7	30 095,5	28 115,2	26 358,8	24 790,6	22 109,0
change %	34,8%	15,0%	7,0%		-6,2%	-11,8%	-21,4%
change (PLN thousand)	9 795,8	4 230,6	1 980,4	0,0	-1 756,3	-3 324,6	-6 006,1

Spółka Arcus Systemy Informatyczne Sp. z o.o.

Forecasting period	1	2	3
Forecasting year	2018	2019	2020
CF	3 445,6	4 541,3	5 738,4
interest expenses + tax adjustment	113,2	120,0	127,4
return of debts	0,0	0,0	0,0
new debts	0,0	0,0	0,0
dividend	0,0	0,0	0,0
FCFE	3 558,8	4 661,3	5 865,7
FCFF	3 445,6	4 541,3	5 738,4
FCFF	3 445,6	4 541,3	5 738,4
DCF	3 072,8	3 608,8	4 061,0

(PLN million)	
The current value of free cash flows FCFF	6 681,6
Residual value	68 810,6
Current residual value	30 520,7
Gross value of the company	37 202,3
Net debt	1 450,5
Income value	35 751,8
Value of Arcus share	18 948,4

Financial projections 3y: 2018-2020

(PLN thousand)	2018	2019	2020
Revenues - total	45 979,5	35 000,0	37 000,0
Costs - total	42 125,7	29 842,6	30 382,8
EBIT[1]	3 853,8	5 157,4	6 617,2
Net profit	3 109,6	4 171,7	5 361,4

[1] *EBIT- Earnings Before Interest & Taxes*

Change WACC	2pp	1pp	0,5pp	0pp	-0,5pp	-1pp	-2pp
Valuation (PLN thousand)	26 807,7	30 753,5	33 098,2	35 751,8	38 774,5	42 243,5	50 949,7
change %	-25,0%	-14,0%	-7,4%		8,5%	18,2%	42,5%
change (PLN thousand)	-8 944,0	-4 998,2	-2 653,5		3 022,8	6 491,8	15 197,9

Change g	2pp	1pp	0,5pp	0pp	-0,5pp	-1pp	-2pp
Value g	4,0%	3,0%	2,5%	2,0%	1,5%	1,0%	0,0%
Valuation (PLN thousand)	45 380,6	39 910,2	37 698,4	35 751,8	34 025,4	32 483,8	29 848,0
change %	26,9%	11,6%	5,4%		-4,8%	-9,1%	-16,5%
change (PLN thousand)	9 628,9	4 158,5	1 946,6	0,0	-1 726,4	-3 268,0	-5 903,8

Spółka Docusoft Sp. z o.o.

Valuation according to DCF (PLN thousand)

Forecasting period	1	2	3
Forecasting year	2018	2019	2020
CF	978,6	920,3	966,4
interest expenses + tax adjustment	54,1	56,8	59,7
return of debts	0,0	0,0	0,0
new debts	0,0	0,0	0,0
dividend	0,0	0,0	0,0
FCFE	1 032,8	977,2	1 026,0
FCFF	978,6	920,3	966,4
FCFF	978,6	920,3	966,4
DCF	872,8	731,4	683,9

(PLN million)	
The current value of free cash flows FCFF	1 604,1
Residual value	11 587,9
Current residual value	5 139,8
Gross value of the company	6 743,9
Net debt	1 092,5
Income value	5 651,4
Value of Arcus share	4 914,4

Financial projections 3y: 2018-2020

(PLN thousand)	2018	2019	2020
Revenues - total	1 960,0	2 058,0	2 160,9
Costs - total	1 395,2	1 465,0	1 538,2
EBIT[(1)]	564,8	593,0	622,7
Net profit	510,6	428,9	450,4

[(1)] *EBIT- Earnings Before Interest & Taxes*

Change WACC	2pp	1pp	0,5pp	0pp	-0,5pp	-1pp	-2pp
Valuation (PLN thousand)	4 134,7	4 804,4	5 201,9	5 651,4	6 163,1	6 750,1	8 221,7
change %	-26,8%	-15,0%	-8,0%		9,1%	19,4%	45,5%
change (PLN thousand)	-1 516,7	-847,0	-449,5		511,7	1 098,7	2 570,4

Change g	2pp	1pp	0,5pp	0pp	-0,5pp	-1pp	-2pp
Value g	4,0%	3,0%	2,5%	2,0%	1,5%	1,0%	0,0%
Valuation (PLN thousand)	7 272,9	6 351,7	5 979,2	5 651,4	5 360,7	5 101,1	4 657,2
change %	28,7%	12,4%	5,8%		-5,1%	-9,7%	-17,6%
change (PLN thousand)	1 621,5	700,3	327,8	0,0	-290,7	-550,3	-994,2

Weighted Average Cost of Capital

Risk-free rate (yield on 10-year Treasury bonds)	2,7%	2,7%	2,7%	2,7%
Risk premium on the market	6,0%	6,0%	6,0%	6,0%
Specific risk premium	4,0%	4,0%	4,0%	4,0%
Tax rate	19,0%	19,0%	19,0%	19,0%
Beta	1,32	1,25	1,21	1,18
Credit margin	4,5%	4,5%	4,5%	4,5%
Cost of debt in Arcus Group	7,2%	7,2%	7,2%	7,2%
Cost of debt to external funds	10,2%	10,2%	10,2%	10,2%
Share of debt in Arcus Group	100,0%	100,0%	100,0%	100,0%
Share of debt to external funds	0,0%	0,0%	0,0%	0,0%
Average cost of debt	7,20%	7,20%	7,20%	7,20%
After-tax cost of debt	5,83%	5,83%	5,83%	5,83%
Cost of equity	14,62%	14,21%	13,95%	13,76%
Ud	28,3%	23,7%	20,4%	18,0%
Ue	71,7%	76,3%	79,6%	82,0%
WACC	12,13%	12,22%	12,29%	12,34%
Number of days in the reporting period	365,00	365,00	365,00	365,00
Discount rate	1,12	1,26	1,41	1,59

Beta coefficient calculation				
Unlevered beta	1,00	1,00	1,00	1,00
Debt/Equity	0,39	0,31	0,26	0,22
Levered bets	1,32	1,25	1,21	1,18

	2018	2019	2020	2021
WACC	12,1%	12,2%	12,3%	12,3%

5.6 Inventories

Inventories are the assets held for sale in the ordinary course of business, and being in the process of production for sale in the form of materials or raw materials used in the production process or in the rendering of services. Inventories include materials and goods. Materials and goods are initially measured at a purchase price. As at the balance sheet date, materials and goods are measured subject to prudence principle, i.e. - these categories are valued at a purchase price or at a realizable price, depending on which one is lower. Inventories of goods and materials are subject to impairments. Inventory disposal is carried out according to the FIFO method and is recognized in cost of sales. Impairment losses on inventory resulting from prudent valuation and impairments on items remaining in stock, as well as their reversals are recognized in cost of sales.

5.7 Trade receivables and other receivables

Receivables are recognized initially at fair value. In the case of normal payment periods that are accepted in the market and in practice for similar transactions, fair value is deemed to be their face value arising on recognition of revenue. At the balance sheet date, trade receivables are measured according to the prudence principle. Impairment loss on receivables is recognized based on the degree of probability of their repayment. Items are analyzed individually in order to determine the necessity to recognize impairment loss. Impairment losses on receivables are classified as other operating expenses. Receivables denominated in foreign currencies are recognized and measured at the balance sheet date in accordance with the principles described in paragraph: "Transactions in foreign currencies". The costs and revenues to be settled over time are also recognized in trade receivables and other receivables.

5.8 Impairment losses on assets

At each balance sheet date, the Group’s companies review the carrying value of assets to determine whether there are indications of possible impairment loss. In the event that any such indication exists, the recoverable value of the asset is estimated in order to determine the potential impairment loss. Where the asset does not generate cash flows that are largely independent of cash flows generated by other assets, the analysis is performed for a group of assets generating cash flows to which the given asset belongs. The recoverable amount is the higher of the two values, namely: the fair value less costs of sales or value in use, which corresponds to the value of estimated future cash flows discounted using a discount rate that reflects current market time value of money and the specific risks, if such exists for a given asset. If the recoverable amount is lower than the net book value of the asset or group of assets, the book value is reduced to recoverable amount. The loss resulting from this fact is recognized as an expense in the period in which the impairment loss occurred. In the case of impairment loss reversal, the net value of the asset is increased to the new estimated recoverable value, but not higher than the net value of the asset that would be determined if the impairment loss would have not been recognized in previous periods. Reversal of impairment loss is recognized as an adjustment to the costs of the period in which the indications of impairment ceased. Impairment loss on goodwill is not subject to reversal.

5.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank accounts, including bank deposits. Cash equivalents include short-term investments of high liquidity that are readily convertible to certain amounts and subject to insignificant risk of changes in value, including accrued interest on bank deposits. Cash and cash equivalents are measured at nominal value. Cash and cash equivalents denominated in foreign currencies are recognized and measured at the balance sheet date in accordance with the principles described in paragraph: "Transactions in foreign currencies". For the purposes of the cash flow statement, cash and cash equivalents are defined in the same manner as for the purposes of recognition in the balance sheet. Cash is measured at nominal value, while bank deposits - at the amount due.

5.10 Equity

5.10.1 Share capital

The share capital of s Dominant Entity consists of 7.320.000 D-series shares with a nominal value amounting to PLN 0.10. Share capital is recognized at nominal value.

5.10.2 Statutory capital reserve resulting from the share premium

In the second half of 2007, ARCUS S.A. issued B-series shares. The issue price per share was PLN 17. As a result of the issue, 2 296 681 shares were subscribed for. The statutory capital reserve resulting from share premium amounted to 37,630,700.57 thousand PLN.

5.10.3 Retained earnings

Retained earnings include earnings retained in the Group’s Companies by the shareholders' decision and the Group's result for a given period attributable to the shareholders of the parent entity, as well as the possible effects of errors in previous years.

5.11 Credits and loans

Credits and loans are recognized with interests due. Exceptions are overdrafts for which no repayment schedule is set. For this type of loan, the costs associated with its disbursement and other fees shall be charged to financial expenses in the period they are incurred. In other cases, financial expenses, including commissions paid at the time of repayment or redemption and direct borrowing costs are recognized in the profit and loss account using the amortized cost and increase the book value of the instrument with consideration of the repayments made in the current period.

5.12 Trade and other liabilities

Liabilities are obligations arising from past events, and characterized by reliably determined value, and which will result in the use of already held or future assets of the Group. Liabilities are recognized initially at fair value. When using normal payment dates, which are used on the market in similar transactions, their fair value is deemed to be their face value arising on recognition of liability. At the balance sheet date, the liability is measured at amortized cost, or if the difference is not significant - at nominal value, with consideration of the principles described above. Other liabilities are classified as liabilities payable for goods or services that have been received or made but not paid, invoiced or formally agreed with the supplier. Liabilities denominated in foreign currencies are recognized in the books and measured at the balance sheet date in accordance with the rules described in “Foreign currency transactions” section.

5.13 Reserves and provisions

Reserves and provisions are recognized when Group’s companies have an existing legal or constructive obligation resulting from past events and it is probable that fulfillment of this obligation will result in the outflow of resources embodying economic benefits and a reliable estimate of the amount of the obligation can be made but the final amount or the maturity of this obligation are uncertain. Where the impact of the time value of money is material, the amount of the provision is determined by discounting the projected future cash flows to the present value, using a discount rate reflecting current market assessments of the value of money and risks associated with the obligation. Increases in reserves, based on the discount rate method, are recognized as borrowing costs over time. If the Group expects that the costs covered by the provision will be recovered in any way, such reimbursement is recognized as a separate asset but only when it is certain that the cost will be recovered. Provisions for warranty costs are recognized upon the sale of products in accordance with the Management's best estimate of future costs to be incurred by the Group during the warranty period without the possibility of transferring them to the manufacturer. The warranty period granted by the Group’s companies for their products does not exceed 12 months. The value of the provisions is estimated at each balance sheet date based on historical data on the costs of warranty repairs. Provisions for specific risks are created when there is a probable outflow of economic benefits from the entity, and the estimate can be reliably carried out. As far as employee benefits are concerned, Group’s companies are not parties to any wage agreements or collective agreements. Group’s companies also do not have pension schemes directly managed by companies or by external funds. The costs of employee benefits include remuneration paid in accordance with the terms and conditions of employment contracts with individual employees. Liabilities arising from short-term employee benefits are measured on a general basis. Short-term and long-term liabilities due to retirement, disability and post-mortem benefits are estimated on the basis of actuarial methods. Actuarial gains and losses were not presented in the report, due to their immateriality.

5.14 Transactions in foreign currencies

Business operations denominated in foreign currencies are recognized in the accounting books at the date of their execution respectively at the exchange rate:

- buy or sale exchange rates used by the bank whose services are used by a given company - in the case of buy or sale of currencies and payment of amounts due operations,
- the average rate for a given currency determined by the National Bank of Polish on the day preceding the date of the transaction.

Assets and liabilities denominated in foreign currencies are measured at the balance sheet date according to the average exchange rate published as at the balance sheet date by the National Bank of Poland for a given currency. Foreign exchange differences arising on the settlement of transactions denominated in foreign currencies, as well as resulting from the balance sheet valuation of assets and liabilities denominated in foreign currencies and associated with the core business (operations) of the Group, are recognized respectively in financial costs or revenues.

5.15 Lease

Lease is classified as finance lease if the agreements transfer substantially all the risks and benefits resulting from the use of the leased asset to the lessee. Other leases are considered to be operating leases. Assets held under finance leases are recognized as assets of the Company and are measured at their acquisition at the present value of lease payments. The liability to the lessor is recognized in the balance sheet in other liabilities. Lease payments are divided into interest and equity parts. The interest part of the lease installment is recognized as the financial cost. Assets transferred under financial lease are removed from fixed assets of the Group. The receivables from the lessee arising on this account are presented in the balance sheet as other receivables. The lease payments received are divided into interest and equity. The interest portion of the leasing installment is financial income.

5.16 Statement of comprehensive income

Statement of comprehensive income includes the profit and loss account and other comprehensive income.

5.17 Profit and loss account

Costs in the profit and loss account are disclosed by function. Profit or loss is the total amount resulting from the deduction of costs from revenues, excluding the components of other comprehensive income.

5.18 Revenues

Sales revenues are recognized at the value of payments received or due for goods delivered or services provided within the normal course of business. Revenues shall be reduced by granted rebates; taxes in favor of third parties are not recognized as income. The sale of goods is recognized upon the delivery of goods and the transfer to the recipient of the significant risk associated with the delivery.

Revenues from services are determined after the service is provided, and include the costs associated with the provision of the service. Revenues related to long-term contracts (over 6 months) are recognized as revenues and expenses correspondingly to the stage of completion of the agreement at the end of the reporting period. Expected loss under long-term contract is recognized immediately as cost. Other operating income includes among others: profits from the sale of tangible fixed assets, received compensations related to losses on the insured property, or subsidies received as part of the EU programs (staff trainings and IT system implementation).

5.19 Financial revenues and borrowing costs

The financial revenues include: dividend income, interests on deposits and loans, a positive result on exchange rate differences, etc. Interest income is recognized cumulatively in relation to the principal due, in accordance with the effective interest method. Dividend income is recognized when the shareholder's right to receive payment is determined. The financial costs include: costs of the use of external financing that is credit interests, interests payable on finance lease agreements, negative result on exchange rate differences, etc. Borrowing costs are recognized as an expense in the profit and loss account in the period in which they are incurred. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, affect its initial value as part of the purchase price or production cost. These costs are subject to capitalization if it is probable that they will result in the future economic benefits for the entity, and the amount of these costs may be reliably determined.

5.20 Income tax

Income tax includes current and deferred tax. The current tax charge is calculated on the basis of the taxable income (taxable base) of the financial year. Tax profit (loss) differs from net accounting profit (loss) due to the exclusion of taxable income and non-deductible expenses and items of expenses and revenue that will never be taxable. Tax charges are calculated based on tax rates applicable in a given fiscal year.

Deferred tax is calculated using the balance sheet method as a liability to be paid or reimbursed in the future based on differences between the carrying amounts of assets and liabilities and the corresponding tax amounts used to calculate the tax base. The deferred tax provision is recognized on all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profits could be decreased by recognized temporary differences. The item of deferred tax asset or deferred tax provision is not created if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of another asset or liability in a transaction that has no impact on either the tax result or the accounting result. The value of deferred tax assets is reviewed at each balance sheet date and, if the expected future tax returns are not sufficient for the realization of an asset or a part thereof, an impairment loss is recognized. Deferred tax is calculated using tax rates that will apply when an asset item is realized or a liability becomes due. Deferred tax is recognized in profit or loss, except when it relates to items recognized directly in equity. In the latter case the deferred tax is also recognized directly in equity. In the balance sheet, the deferred tax is recognized in the division into deferred tax assets and the deferred tax provision without any compensation.

6 REVENUES AND RESULTS OF OPERATING SEGMNENTS

6.1 Operating segments

Business operations of ARCUS Group were divided into business segments for presentation purposes:

- IT segment covering sales and leasing of copying devices and equipment for mail and document lifecycle management (office solutions),
- Telemetry segment covering the sales, installation and commissioning of equipment for the measurement of utilities such as electricity, gas and water,
- services segment covering after-sales services, repair, and lease services.

Operating segments for the period from 01.01 to 31.12.2017

	PLN thousand				
	IT Segment	Telematics Segment	Telemetry segment	Other services Segment	Total
Total segment's revenues	107 242	3 800	368	30 266	141 676
Segment's result	**13 050**	**-425**	**-302**	**-938**	11 385
Unassigned costs	-	-		-	-7 793
Profit on operating activities	-	-		-	3 592
Net financial revenues	-	-		-	522
Profit before tax	-	-		-	4 114
Income tax	-	-		-	-3 711
Net profit for the financial year	-	-		-	403
Segment's assets	**72 090**	**2 671**	**71**	**19 483**	**94 315**
Unassigned assets	-				20 063
Total assets					114 378
Segment's liabilities	**48 664**	**1 803**	**48**	**13 152**	**63 667**
Unassigned liabilities	-	-		-	50 711
Liabilities					114 378

Operating segments for the period from 01.01 to 31.12.2016

PLN thousand	IT Segment	Telematics Segment	Telemetry segment	Other services Segment	Total
Total segment's revenues	91 425	2 427	1 402	25 775	121 029
Segment's result	**11 786**	**-1 043**	**-943**	**-866**	8 934
Unassigned costs	-	-		-	-12 177
Profit on operating activities	-	-		-	-3 243
Net financial revenues	-	-		-	-1 168
Profit before tax	-	-		-	-4 411
Income tax	-	-		-	-1 102
Net profit for the financial year	-	-		-	-5 512
Segment's assets	**60 041**	**1 594**	**921**	**16 927**	**79 483**
Unassigned assets	-	-		-	22 631
Total assets					102 114
Segment's liabilities	**38 265**	**1 016**	**587**	**10 787**	**50 655**
Unassigned liabilities	-	-		-	51 459
Liabilities					102 114

Other information on segments - Geographic information

Revenues

	Year ended 31.12.2017	Year ended 31.12.2016
Domestic sales	139 823	118 782
Foreign sales	1 853	2 247
Total	141 676	121 029

As at 31.12.2017 and 31.12.2016 the Group's assets were located mainly in Poland.

7 REVENUES STRUCTURE

Consolidated sales revenues

Sales revenues

	Year ended 31.12.2017	Year ended 31.12.2016
Revenues from sales of products	0	0
Revenues from sales of services	37 963	35 986
Revenues from sales of goods	103 713	85 043
Total sales revenues	**141 676**	**121 029**

The Group's operations are not subject to seasonality or cyclicality. Revenues are generated from fixed contracts and incidental contracts. The high share of incidental contracts in the sales, as well as typical for these contracts – variable timing during the year with an upward trend in the second half of the year, leads to different levels of sales achieved in the comparable periods of different years. At the same time, this factor does not have a significant impact on the comparability of the company's full-year results.

8 COSTS BY NATURE

Costs by nature

	Year ended 31.12.2017	Year ended 31.12.2016
Value of goods sold	74 311	64 191
Third-party services	18 673	17 156
Remunerations and employee benefits	25 225	22 643
Consumption of materials and energy	14 499	12 847
Taxes and fees	1 468	1 226
Amortisation and depreciation	2 973	2 800
Other sundry expenses	1 882	1 797
Total	139 031	122 660
Change in inventory		-149
Costs of operating activities	139 032	122 511
Cost of products and services sold	22 501	23 497
General and administrative costs	12 199	10 110
Cost of sales	104 333	88 904

9 OTHER OPERATING REVENUES

Other operating revenues

	Year ended 31.12.2017	Year ended 31.12.2016
Profits from the sales of fixed assets	6	542
Compensation received	513	13
Subsidies received	149	149
Other	696	735
Total	**1 364**	**1 439**

10 OTHER OPERATING COSTS

Other operating costs

	Year ended 31.12.2017	Year ended 31.12.2016
Loss on disposal of fixed assets	12	19
Repair costs of insured property	100	68
Impairment loss on inventories and receivables		1 636
Revaluation of receivables		1 353
Other	303	124
Total	**415**	**3 200**

In 2016 an impairment loss on receivables and inventory was established in the amount of PLN 3 million which burdened the operating result. It was a one-off event resulting from a conservative assessment of these assets. In the reporting period, provisions for inventories in the amount of PLN 1,6 million were used, reducing the prices of goods in the warehouse, which had no effect on the result of the period.

11 FINANCIAL REVENUES

Financial revenues

	Year ended 31.12.2017	Year ended 31.12.2016
Interests on bank deposits	50	34
Other interests received	7	27
Other - including foreign exchange rates differences	804	43
Total	**861**	**104**

12 FINANCIAL COSTS

Financial costs

	Year ended 31.12.2017	Year ended 31.12.2016
Interests on loans	200	173
Other interests	99	101
Discount – long-term contracts		190
Other - including foreign exchange rates differences	40	807
Total	**339**	**1 271**

13 INCOME TAX

Income tax charge in the consolidated profit and loss account for 2017 amounts to PLN 3,711 thousand (deferred tax). Tax, according to nominal rate amounts to PLN 782 thousand. Higher effective taxation ensues from permanent differences, non-activation of losses by companies, and the revaluation of deferred tax accrued in previous periods.
Higher effective taxation is due to a prudent approach assuming asset write-offs for the temporary difference due to tax losses, and inactivation of new losses by subsidiaries.

14 ROFIT PER SHARE

Profit per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted profit per share is calculated by dividing net profit for the period attributable to ordinary shareholders (after deducting interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares). There were no dilutive options at the end of the reporting periods.

Consolidated profit per share

	Year ended 31.12.2017	Year ended 31.12.2016
Weighted average number of shares	7 320 000	7 320 000
Net profit attributable to the shareholders of a Dominant Entity (PLN thousand)	1 266	-5 220

Net profit per share attributable to the shareholders of a Dominant Entity	0,17	-0,71
Diluted profit per share attributable to the shareholders of a Dominant Entity	0,17	-0,71

15 FIXED TANGIBLE ASSETS

Fixed assets

	01.01 to 31.12.2017	01.01 to 31.12.2016
Fixed assets		
Lands		
Buildings and structures	280	435
Machines and devices	707	1 406
Means of transport	809	1 376
Other	897	905
Fixed assets - total	**2 693**	**4 122**
Prepayments for fixed assets	316	225
Fixed assets under construction	522	0
Fixed tangible assets	**3 531**	**4 347**

Changes in fixed assets in the period from 01.01 to 31.12.2017

	Buildings and structures	Machines and devices	Means of transport	Other	Total
Net opening balance	**435**	**1 406**	**1 376**	**905**	**4 122**
Gross value					
As at 01.01.2017	889	3 360	2 999	2 541	**9 789**
Increase - purchase		273	329	727	**1 329**
Decrease - sale and liquidation		483	434	116	**1 033**
As at 31.12.2017	**889**	**3 150**	**2 894**	**3 152**	**10 085**
Redemption					
As at 01.01.2017	454	1 954	1 623	1 636	**5 667**
Increase – amortization and depreciation	155	550	561	671	**1 937**
Decrease - sale and liquidation		61	99	52	**212**
As at 31.12.2017	**609**	**2 443**	**2 085**	**2 255**	**7 392**
Net as at 31.12.2017	**280**	**707**	**809**	**897**	**2 693**

Changes in fixed assets in the period from 01.01 to 31.12.2016

	Buildings and structures	Machines and devices	Means of transport	Other	Total
Net opening balance	**501**	**734**	**1 830**	**903**	**3 968**
Gross value					
As at 01.01.2016	773	3 220	2 917	3 239	**10 149**
Increase - purchase	116	724	896	981	**2 717**
Decrease - sale and liquidation		584	814	1 679	**3 077**
As at 31.12.2016	**889**	**3 360**	**2 999**	**2 541**	**9 789**
Redemption					
As at 01.01.2016	273	2 033	1 540	2 336	**6 182**

Increase – amortization and depreciation	181	418	709	623	**1 931**
Decrease - sale and liquidation		497	626	1 323	**2 446**
As at 31.12.2016	**454**	**1 954**	**1 623**	**1 636**	**5 667**
Net as at 31.12.2016	**435**	**1 406**	**1 376**	**905**	**4 122**

16 INTANGIBLE ASSETS

INTANGIBLE ASSETS

	01.01 to 31.12.2017	01.01 to 31.12.2016
Software	3 199,00	961,00
Licenses	75,00	311,00
Other (software, expenditures on intangible assets)	2 933,00	3 454,00
Total	**6 207,00**	**4 726,00**
Advances for intangible assets	1 550,00	2 622,00
Total	**7 757,00**	**7 348,00**

Change in intangible assets in the period from 01.01.2016 to 31.12.2017

	Software	Licenses	Other	Total
Net as at 01.01.2017	**961,00**	**311**	**3 454**	**4 726**
Gross value				
As at 01.01.2017	3 105,00	2 134	5 681	**10 920**
Increase - purchase	2 651,00	8	366	**3 025**
Decrease - liquidation		8	500	**508**
As at 31.12.2017	**5 756**	**2 134**	**5 547**	**13 437**
Amortisation and depreciation				
As at 01.01.2017	2 144	1 823	2 227	**6 194**
Increase – amortization and depreciation	413	236	387	**1 036**
Decrease - liquidation				**0**
As at 31.12.2017	**2 557**	**2 059**	**2 614**	**7 230**
Net as at 31.12.2017	**3 199**	**75**	**2 933**	**6 207**

Change in intangible assets in the period from 01.01.2016 to 31.12.2016

	Software	Licenses	Other	Total
Net as at 01.01.2016	**1 201,00**	**708**	**2 363**	**4 272**
Gross value				
As at 01.01.2016	4 158,00	2 199	4 482	**10 839**
Increase - purchase	117,00	135	1 258	**1 510**
Decrease - liquidation	1 170	200	59	**1 429**
As at 31.12.2016	**3 105**	**2 134**	**5 681**	**10 920**
Amortisation and depreciation				
As at 01.01.2016	2 957	1 491	2 119	**6 567**
Increase – amortization and depreciation	308	393	168	**869**
Decrease - liquidation	1 121	61	60	**1 242**
As at 31.12.2016	**2 144**	**1 823**	**2 227**	**6 194**

Net as at 31.12.2016	**961**	**311**	**3 454**	**4 726**

Arcus S.A. Group does not have assets with indefinite useful lives.

Expenditures on intangible assets mainly relate to the planned implementation of the lease-sales accounting module and the CRM module.

17 GOODWILL ON CONSOLIDATION

Fair value as at balance sheet day		PLN THOUSAND
	As at 31.12.2017	As at 31.12.2016
T-matic Systems SA - goodwill	3 029	3 029
Docusoft Sp. z o.o. - goodwill	1 352	1 352
ASI - goodwill	4 549	4 549
Geotik - goodwill	4 896	4 879
Total	**13 826**	**13 808**

As at 31 December 2017, goodwill impairment tests were carried out, which confirmed the values shown in the table above.

In connection with the acquisition by ARCUS Group of Geotik (Ricaline) in 2016 a provisional determination of goodwill being a surplus of the costs of a business combination amounting to PLN 5 050 thousand over the net fair value of pre-identified assets, liabilities and contingent liabilities of value amounting to PLN 171 thousand, was made in the financial statement for 2016. Goodwill of Geotik / Ricaline determined as at 31 December 2017 in the amount of PLN 4 896 thousand PLN is final.

18 HELD-FOR-SALE FINANCIAL ASSETS

The Group does not have any assets available for sale.

19 LONG-TERM RECEIVABLES

Long-term receivables	As at 31.12.2017	As at 31.12.2016
Trade receivables from other entities *	6 262,0	7 556,0
Other receivables	95,0	125,0
Total	**6 357,0**	**7 681,0**

*) Long-term trade receivables are lease receivables.

20 INVENTORIES

Inventories

	As at 31.12.2017	As at 31.12.2016
Gross goods	9 580,0	12 036,0
Impairment loss	-324,0	-2 215,0

Prepayments for deliveries	26,0	142,0
Total inventory	**9 281,0**	**9 963,0**

In the reporting period, provisions for inventories in the amount of PLN 1,6 million were used, reducing the prices of goods in the warehouse, which had no effect on the result of the period.

As at 31 December 2017 inventories amounting to PLN 14.5 million were the collateral for a bank loan and an insurance guarantee.

21 SHORT-TERM RECEIVABLES

	As at 31.12.2017	As at 31.12.2016
Trade receivables from related entities not subject to consolidation	207,0	679,0
Trade receivables from other entities*	52 610,0	35 412,0
Tax receivables	426,0	332,0
Advance payments		
Other receivables	18 298,0	19 230,0
Receivables claimed at court		
Impairment loss	-4 606,0	-5 986,0
Total	**66 936,0**	**46 667,0**

*) including short-term lease receivables

As at 31 December 2017 trade receivables amounting to PLN 16.8 million were the collateral for a bank loan and an insurance guarantee.

Change in impairment loss on trade receivables

	As at 31.12.2017	As at 31.12.2016
Opening balance	**5 986**	**4 367**
Recognition of impairment loss	**85**	**1 654**
On trade receivables		1 654
Use:	1 465	35
repayment	356	8
Write-off	1 109	27
Closing balance	**4 606**	**5 986**

22 CASH

Cash

	As at 31.12.2017	As at 31.12.2016
Cash at hand		
Cash in banks	1 820	1 080
Short-term deposits		
Total	**1 824**	**1 080**

23 CONSOLIDATED EQUITY

Share capital

	Nominal value	Number of shares
As at 31.12.2016	0,10	7 320 000
As at 31.12.2017	0,10	7 320 000

series	Numebr of shares	Value of shares	Contribution
D	7 320 000	732 000,00	Cash

On 14 June 2012, the Annual General Meeting of Shareholders adopted the Resolution No 26 regarding the purchase of own shares for the purpose of their redemption in the amount of up to 10% of the share capital and at a price not exceeding 6 PLN per share. Share buyback started in September 2012 – as at 31.12.2013 the Company held 75,157 own shares purchased at an average price of 3.63 PLN. Mentioned shares accounted for 1.02% of the total capital and 1.02% of the total number of votes at the AGM.

On 20 June 2013, under the Resolution No 12, the Ordinary General Meeting of Shareholders, decided to redeem the shares held by Arcus S.A. and to decrease the share capital. In accordance with Art. 456 of the Commercial Companies Code, the Company started convocation proceedings, which were completed in the 4th quarter of 2013 - no objections were raised by the creditors.

On 20 June 2014, the Annual General Meeting of Shareholders, by the Resolution No 20, decided on the conversion of all existing shares of A, B and C series into D series shares, and on the basis of the Resolution No 21 on redemption of 75 157 shares, which was confirmed by the District Court in September 2014.

Shareholding structure of ARCUS S.A. (according to the Company's knowledge) as at 31 December 2017

Shareholding structure of ARCUS S.A. (according to the Company's knowledge) as at 31 December 2017		PLN	%
	Number of shares	Value of share in the share capital	Share in the share capital
MMR Invest S.A.*	4 800 000,00	480 000,00	65,6
Other	2 520 000	252 000,00	34,4
Total	**7 320 000**	**732 000,00**	**100,0**

* entity controlled by Mr. Marek Czeredys, Michał Czeredys and Rafał Czeredys

24 SHARE PREMIUM ACCOUNT

Share premium account	As at 31.12.2017	As at 31.12.2016
Share premium account	37 631	37 631
Total	**37 631**	**37 631**

25 RETAINED EARNINGS

Retained earnings

	As at 31.12.2017	As at 31.12.2016
Previous years' retained earinings	4 134	9 396
Consolidation adjustment		
Dividend payment	-290	-290
Profit (loss) – current period	1 266	-5 220
Own shares – decrease of share capital		
Change in capital - increase of capital in a subsidiary		248
TOTAL	**5 110**	**4 134**

26 PROVISIONS FOR LIABILITIES

Change in provisions for liabilities

	As at 31.12.2017	As at 31.12.2016
Opening balance	**1 125**	**1 022**
Recognition of a provision	**421**	**414**
Provision for warranty repairs		
Provision for retirement benefits and leaves	421	414
Use of provisions	**408**	**280**
Provision for warranty repairs		
Provision for retirement benefits and leaves	414	276
Provision for other projected costs		4
Release of provisions	**51**	**31**
Provision for warranty repairs		
Provision for retirement benefits and leaves	51	31
Closing balance	**1 087**	**1 125**

The Group's companies pay retired employees the amount of retirement severance pay in the amount specified by the Labor Code. Accordingly, the Group's companies, on the basis of a valuation made by a professional actuarial company, recognize a provision for the current value of the retirement severance pay. The main assumptions adopted by the actuary to calculate the amount of the liability are as follows:

	31.12.2017	31.12.2016
discount rate (%)	3,25%	3,50%
Expected remuneration growth rate (%)	3,50%	3,50%

27 LONG-TERM LIABILITIES

Long-term liabilities as at 31.12.2017 in the amount PLN 22 002 thousand (2016 – PLN 8 204 thousand) include, apart from provisions for liabilities and deferred tax, trade liabilities in the amount of PLN 15 857 thousand and lease liabilities in the amount of PLN 674 thousand recognized in other long-term liabilities.

28 TRADE AND OTHER LIABILITIES

	As at 31.12.2017	As at 31.12.2016
Other liabilities to related entities not subject to consolidation	369,00	307,00
Trade liabilities to other entities *	25 311,00	30 854,00
Tax and social security liabilities	10 518,00	6 605,00
Advance payments	283,00	84,00
Remuneration liabilities	2 499,00	784,00
Other	3 469,00	3 178,00
Total	**42 449,00**	**41 812,00**

*) Including the amount of lease liabilities - PLN 2 352 thousand (PLN 2 476 thousand as at 31.12.2016)

29 LIABILITIES AND RECEIVABLES IN FOREIGN CURRENCIES

	Liabilities in PLN thousand		Receivables in PLN thousand	
	as at 31.12.2017	as at 31.12.2016	as at 31.12.2017	as at 31.12.2016
EUR	33 713	27 553	1 111	3 263
USD				
PLN	25 521	17 501	72 182	54 085
Total	**59 234**	**45 054**	**73 293**	**57 348**

30 CONTINGENT LIABILITIES

Contingent liabilities

	as at 01.12.2017	as at 31.12.2016
Bill of exchange liabilities, including issued for:	**24 850**	**25 275**
Bank as a credit collateral	9 000	9 500
Insurance companies in respect of performance bond *	14 803	11 511
Contractors in respect of performance bond	468	3 844
Letters of credit		
Bank guarantees	579	420

*w including insurance guarantee of Ergo Hestia in the amount of PLN 9.6 million related to the dispute with EOP (at the balance sheet date and at the end of comparable period)

On 16 December 2013 (current report No 36/2013) the consortium of Arcus S.A. and T-matic System S.A. received a notification from the District Court for the City of Warsaw, 16th Commercial Division, on institution of conciliation proceedings and on summoning Arcus S.A. and T-matic System S.A. Consortium by Energa-Operator S.A. to a conciliation hearing as regards the payment to be executed by Consortium at the amount of PLN 21 513 481.31 and referring to the claims arising from contractual penalties concerning the contracts for the delivery and launching of the meter infrastructure covered by the following agreements: ZP/62/AZU/2011 of 9 September 2011, ZP/63/AZU/2011 of 26 August 2011, ZP/64/AZU/2011 of 26 August 2011 and ZP/66/AZU/2011 of 25 October 2011 being the implementing documents for the Framework Agreement, on which the Company informed in a current report No 22/2011 of 28 June 2011. The session of a Court was initially planned to be held on 30 December 2013, but was postponed until 5 March 2014, and in March 2014 – at the request of the Parties, until 20 May 2014. The request of Arcus S.A. addressed to the court for a further postponement of the hearing, supported by Energa-Operator S.A., was not accepted by the Court and the case was dismissed at the hearing on 20 May 2014. In December, Consortium received from Energa-Operator S.A. a final call for payment, while at the same time the Consortium submitted to Energa-Operator S.A. a claim for payment for additional works going beyond the scope set forth in the agreements (current report No 26/2014 of 18 December 2014).

In December 2014, the Consortium received four debit notes from ENERGA-OPERATOR S.A. in the total amount of 21 183 221 PLN, which in the opinion of the Consortium were unjustified (current report No 25/2014 of 3 December 2014). In May 2015 Arcus S.A. received a claim for payment of the amount of 23 125 480,70 PLN (current report No 3/2015 of 15 May 2015). On 10 June 2015, the Consortium replied to the claim. In response to another preparatory letter of Energa-Operator S.A., on 18 December 2015 Arcus and T-matic lodged a pleading with additional arguments regarding the invalidity of contracts, which – as a consequence - changed the order of the taking of evidence in the case. On 13 January 2016, the first hearing was held, during which the court upheld the position of the Consortium and decided that the issue of the invalidity of contracts will be analyzed first. On 15 October 2015 Arcus S.A. together with its subsidiary company – T-matic Systems S.A. send to ENERGA-OPERATOR S.A. a letter of formal notice requesting Energa-Operator to join the negotiations as to the annulment of execution contracts for the delivery and setting up the meter infrastructure, including among others, the Implementation Agreement. The Issuer still remains convinced of the possibility of amicable settlement of the dispute by the Parties in order to avoid an escalation of a dispute relating to a total of over 450,000 metering devices installed by the consortium.

On 12 November 2015, the Management Board of Arcus S.A. was informed by a professional legal representative in litigation on filing on 10 November 2015 together with T-matic Systems S.A. with its registered office in Warsaw with the Regional Court in Gdańsk (IX Commercial Department) the lawsuit against Energa-Operator S.A. with its registered office in Gdańsk to annul – on the basis of Art. 189 of the Civil Code, the Implementation Agreement of 1 February 2013 on the conclusion of which the Company informed in a current report no 4/2013 of 4 February 2013. The value of the subject-matter of dispute amounts to PLN 77 million. The supply and installation of 310 thousand PRIME-technology smart meters within the next stage of the performance of a project concerning consumers' smart metering was the subject-matter of the Implementation Agreement. Under mentioned Implementation Agreement, the Issuer and T-matic undertook to deliver the devices and software as well as to launch the metering infrastructure for a specific installation area. In line with the position presented by the Issuer and T-matic in the lawsuit, the Implementation Agreement contains essential structural irregularities, which indicate that the Implementation Agreement is subject to the sanction of absolute nullity, in particular due to the following two sets of circumstances:

a. there shall be no binding obligation (in all its essential aspects and elements required under the applicable law) between the Parties due to the fact that the subject of the Issuer's and T-matic company's services is not precisely defined therein, which results in de facto and de iure - failure to conclude the Agreement as such; and

b. Implementation Agreement infringes grossly a balance of contractual relationship, and therefore is inconsistent with the nature / substance of the obligation and is contrary to the principles of social coexistence, and thus is subject to sanctions of nullity.

It should be noted that the Implementation Agreement in its basic form is a supply contract, regulated by Article. 605 et seq. of the Civil Code, which also follows from the wording of Section 25.2 of the Implementation Agreement. The regulatory scope referred to above indicates that the supply contract constitutes a mutual contract with characteristics similar to the sale contract. It is therefore, in principle, an equivalent legal relationship, in which the supply of one Party (production and delivery of a product) corresponds to the supply of the counterparty (reception of goods and payment).

In view of the above and having regard to the type of correspondence submitted by the defendant to the complainants, it should be noted that the correct, complete and adequate description of the subject-matter of the Agreement (i.e. a description of the subject-matter of the delivery, and thus the responsibilities of the consortium of the Issuer and T-matic) should identify and determine the subject of service of the Issuer and T-matic. Additionally this requirement refers to the so called essentialia negotii of the supply contracts named in the Civil Code, which is essential to define their existence in the legal system. Therefore, it must be assumed that lack of sufficiently precise definition of subject of Issuer's and T-matic company's service results in the lack of conclusion of Implementation Agreement as such. In the Implementation Agreement, a specific mechanism was provided for the purposes of verification of performance of the service by the Issuer and T-matic, and thus binding verification procedures were not determined which made it impossible for the Company to assess whether the service of the Company and T-matic corresponded to the Implementation Agreement or not. The subject-matter of the Implementation Agreement was determined inadequately and ambiguously, and at the stage of execution was subject to one-sided modifications by Energa-Operator. The Implementation Agreement also has a fundamental shortcoming associated with the position of the Parties in the framework of contractual relationship, especially in the context of the recognition of supply contract to be the progenitor of Implementation Agreement, which particularly applies to:

a. penalties reserved exclusively to one party, i.e. Energa-Operator;

b. allowing the possibility of cumulative contractual penalties imposed on the Issuer and T-matic (no possibility of charging any contractual penalties to the Contractor);

c. the possibility of cumulative contractual penalties imposed both from the point of view of the withdrawal from the Implementation Agreement, as well as failure to execute the Agreement within the specified time limit (and therefore the protection of two opposing interests of Energa-Operator, i.e. protection against failure to perform and improper performance of the above mentioned Implementation Agreement);

d. reservation of contractual penalties for failure to comply with the quality parameters of the Issuer's and T-matic company's service for reasons independent of the Issuer and T-matic;

e. possibility of unilateral withholding of products by Energa-Operator, without the consent of the Issuer and T-matic in case of withdrawal from the contract.

On 16 November 2015, Arcus S.A. received from Energa-Operator S.A. request for payment of the total amount of PLN 157 023 542 consisting of:

a. the amount of PLN 1 002 942 (one million two thousand nine hundred forty two) for the decrease of remuneration payable to the Issuer and T-matic for the products delivered in the course of performance of the Implementation Agreement for the delivery and launching of the meter infrastructure of 1 February 2013 ('Implementation Agreement') withheld by Energa-Operator;

b. the amount of PLN 156 060 200 (one hundred fifty six million sixty thousand two hundred) accrued by Energa-Operator on the basis of Implementation Agreement.

According to the analysis and evaluations of the Issuer, the Request is part a of the negotiation tactics of Energa-Operator, and the legal basis of the claim is clearly unfounded because of invalidity of the Implementation Agreement raised by the Issuer (current report no 21/2015 of 16 October 2015). This groundlessness also arises from the lack of factual or substantive grounds for the calculation of contractual penalties. Arcus S.A. legal position did not change, and on 10 November 2015 an action against Energa-Operator was brought to the court as to the annulment of Implementation Agreement (current report no 24/2015).

At the hearing on 13 January 2016, the Court agreed to the position of the Consortium and decided to investigate the nullity of contracts in the first place. As a result, at the meetings on 18 March 2016, 6 May 2016, 1 July 2016, 23 September 2016 and 8 February 2017, the Court heard the witnesses of the Parties. In terms of the request of 16 November 2015 for the payment of the amount of PLN 157 023 542 addressed to the company by Energa Operator S.A., the current legal position of the Issuer has not changed. On 10 November 2015, a lawsuit was filed with a Court, against Energa Operator S.A., for the annulment of the Implementation Agreement, as reported by the Company in the current report No 24/2015.

In connection with the intentions of the Management Board to complete the dispute by way of amicable settlement, a petition was filed with a court for the issuance of summons to a conciliation hearing. The hearing on this matter was scheduled for 20 May 2016, during which another date of the hearing was determined. At the hearing on 5 August 2016, the parties filed a request for re-postponement of the hearing in order to agree on the detailed terms of the settlement. The court, having considered the arguments of both parties, agreed to the request and scheduled the next hearing for 20 December 2016.

On 19 October 2016, the Management Board of Arcus S.A. addressed to Energa Operator S.A. a request for payment of the total amount of PLN 174,111,458.96 as compensation for damage sustained by the Issuer and for immediate cessation of unauthorized actions and omissions of Energa Operator concerning Implementation Agreements and the dispute between the Parties, which would increase the damage of the Company and T-Matic Systems S.A. or would result in violation of personal rights of Issuer or T-matic Systems S.A. In this respect, a petition was filed with a court for the issuance of summons to a conciliation hearing, however, until today the date of the hearing has not been set.

On 1 March 2017, the Management Board of Arcus S.A. a letter from an insurer – Ergo Hestia S.A. (current report no 2/2017) dated 28 February 2017 concerning the request of Energa Operator S.A. for payment under the performance bond issued by Ergo-Hestia with regard to the Implementation Agreement concluded on 1 February 2013 between the Issuer, T-matic Systems S.A. and Energa, the subject of which was the delivery and setting up of the meter infrastructure as the Issuer informed in current report no 4/2013 ("the Agreement") – within the scope covering the claims of Energa against the Issuer and T-matic resulting from alleged improper performance of the Agreement (current report no 25/2015).

On 25 April 2017, Arcus S.A. received from an insurer - Ergo Hestia S.A. a letter dated 5 April 2017 (current report no 4/2017) containing a demand for payment (plus statutory interest) of an amount PLN 9,597,702.30, representing the value of a performance bond executed by Ergo-Hestia on 3 March 2017 for the benefit of Energa Operator S.A. in connection with the Implementation Agreement concluded on 1 February 2013 between the Issuer, T-matic Systems S.A. and Energa. The Issuer invariably questions both the claims of Energa and the execution of a performance bond by Ergo-Hestia, considering them wholly unfounded.

On 27 April 2017, the Management Board of Arcus S.A. received a decision dated 13 April 2017 of the Court of Appeals in Gdańsk, 9th Commercial Division granting, in accordance with the Issuer's and T-matic Systems S.A., the security (injunctive relief) for a claim of the Issuer and T-matic against Energa-Operator S.A. (current report 24/2016 of 19 October 2017) to order Energa a repayment for the benefit of an insurer – Ergo Hestia S.A.:

1. an amount of PLN 4,798,851.15 that is granting an unduly conferred (at the expense of the Issuer) benefit arising from the execution by Ergo-Hestia, at the request of Energa, of a performance bond associated with the Implementation Agreement concluded on 1 February 2013 between the Issuer, T-matic Systems S.A. and Energa, the subject of which was the delivery and setting up of the meter infrastructure as the Issuer informed in current report no 4/2013 (hereinafter "the Agreement") – within the scope covering the claims of Energa against the Issuer and T-matic resulting from alleged improper performance of the Agreement (current report no 25/2015);
2. an amount of PLN 4,798,851.15 that is granting an unduly conferred (at the expense of the T-matic) benefit arising from the execution by Ergo-Hestia, at the request of Energa, of a performance bond associated with the Agreement.

In accordance with the Decision, the Court ruled to secure the above claim by regulating the rights and obligations of the parties to the safeguard procedure for a period of its duration, in such a way that:

a. ordered Energa to reimburse to Ergo-Hestia an amount of PLN 9,597,702.30 within 30 days of the date of the Decision, provided that Ergo-Hestia grants to Energa a guarantee of payment of an amount PLN 9,597,702.30 exercisable in case of final disposal, to the detriment of Eligible Parties, of court proceedings initiated (following the safeguard procedure as a result of which a Decision was issued) by Eligible Parties against Energa as regards the claims secured with the Decision ("Proceedings");
b. ordered Eligible Parties to (i) request Ergo-Hestia to issue for the benefit of Energa a guarantee of payment of an amount PLN 9,597,702.30 exercisable in case of final disposal of the Proceedings to the

detriment of Eligible Parties, and effective until 31 December 2017, and to (ii) request Ergo-Hestia to extend the period of guarantee for subsequent annual periods after 31 December 2017 until the final settlement of Proceedings, where such extensions shall be performed until 30 December each year at the latest. In addition, the Decision sets a two-week deadline for Eligible Parties to fill a lawsuit concerning claims secured with the Decision, under pain of nullity of the security granted. The Decision is effective and enforceable on the date of its issuance, but the other party is entitled to appeal to it.

The guarantee was issued in connection with a lawsuit planned by Arcus S.A. to be filed against Energa-Operator for the payment of the amount of PLN 174, 111,458.98 as compensation for damage sustained by the Issuer and for immediate cessation of unauthorized actions and omissions of Energa Operator concerning Implementation Agreements and the dispute between the Parties, which would increase the damage of the Company and T-Matic Systems S.A. or would result in violation of personal rights of Issuer or T-matic Systems S.A. (current report no 24/2016).

In connection with the Court's decision of 13 April 2017, on 9 May 2017 ARCUS S.A. received information that the legal representative of the Issuer and T-Matic Systems S.A. filled a lawsuit with the Court of Appeals in Gdańsk, 9th Commercial Division against Energa-Operator S.A. On 12 May 2017 a performance bond was issued under which Ergo-Hestia undertook to pay irrevocably and unconditionally, in accordance with the terms of the Guarantee, to Energa-Operator S.A. the amount of PLN 9,597,702.30 in the event of final termination to the detriment of the Issuer and T-matic Systems S.A. of the court proceedings initiated by the Issuer and T-matic against Energa with reference to the claims secured by the Decision (current report no 7/2017).

On 25 September 2017 ARCUS S.A. was notified on filling by the Issuer's legal representative for litigation purposes of a lawsuit with the Court of Appeals in Gdańsk, 9th Commercial Division against Energa-Operator S.A. with its registered office in Gdańsk on the basis of which the Issuer and T-matic Systems S.A. ("T-matic") as Claimants, pursue claims in the amount of PLN 174,111,458.96 along with the statutory interest thereon to be paid by Energa as compensation for the damage to the Claimants deriving from the tort/ an act of unfair competition committed by Energa in connection with the ongoing multi-faceted dispute concerning the validity, performance and mutual claims arising from and related to the conclusion and execution by Claimants for the benefit of Energa of performance contracts for delivery of software and the launch of meter infrastructure and contracts for the implementation of an intermediary infrastructure in the PLC technology concluded in the period from 25 September 2011 to 1 February 2013 following the award of a public procurement contract by Energa. (current report 16/2017).

The Claimants puts forward the pleas alleging that Energa is liable for damages (both tortious and contractual) to Claimants with regard to the negative consequences of the actions and omissions related to the creation, escalation and failure to terminate the Dispute. In the opinion of the Claimants, unreasonable and unlawful request of Energa (as the ordering party) for the payment of significant amounts as claims in relation to the performance of the Implementation Agreements, including charging contractual penalties and inducing by Energa to the expansion of the Dispute, as well as failure of Energa to pay of amounts due in connection with works performed, resulted in the damage to the Claimants which was related to the occurrence of circumstances which negatively affecting the business activity performed by the Claimants as well as their functioning in the economic transactions, translating into concrete property damage.

On 11 December 2017 ARCUS S.A. was notified on receiving a counterclaim filled with the Court of Appeals in Gdańsk, 9th Commercial Division by Energa-Operator S.A. with its registered office in Gdańsk against the Issuer and T-matic Systems S.A. as defendants on the basis of which Energa pursues claims in the amount of PLN 157,063,142 along with statutory late payment interest (as from 2 November 2015 until the payment day) to be paid by Defendants as compensation for the alleged damage suffered by Energa in connection with conclusion and implementation by Defendants for the benefit of Energa of several performance contracts for the delivery of software and the launch of meter infrastructure concluded in the period from 25 September 2011 to 1 February 2013 (current report no 22/2017).

In response to the lawsuit filed on 7 February 2018, the legal representative of Arcus S.A. filed for the dismissal of the claim in its entirety, pointing to its groundlessness. In relation to the counterclaim, the plea of invalidity of the Implementation Agreement No. 71 was raised on the basis of the circumstances set out in the claim of 10 November 2015, i.e. due to the fact that (I) the object of the service is not precisely specified (ii) the agreement grossly violates the balance of the Parties and remains contrary to the nature / essence of the obligation and the principles of social coexistence. In opinion of ARCUS S.A., Energa did not prove the validity of the claim in terms of the actual basis and the amount of claims.

The Management Board of ARCUS S.A. holds the view that the claim of Energa Operator S.A. is unjustified, and the potential outflow of cash associated with this claim is unlikely. Taking above into consideration, no provisions in respect of afore described dispute were created as at balance sheet day. The Management Board of Arcus S.A. emphasizes that due to the important public interest and precedential nature of the project, its intention is to settle the dispute in an amicable way.

31 ACQUISITION OF A SUBSIDIARY

On 29 December 2016, under a bilateral agreement, GEOTIK Sp. z o.o. was established within Arcus S.A. Group. The transaction was executed through a contribution in kind of an organised part of the T-matic Systems S.A. enterprise associated with the business operations on the telematics market, and through a contribution in the form of the enterprise under the name Rikaline Monika Majewska with its registered office in Wrocław. The structure of GEOTIK Sp. z o.o. share capital shall be as follows:

1. T-matic Systems S.A. acquired 28 014 shares with a total nominal value of PLN 1,400,700.00, representing 65.67% of the Company's share capital and votes at the General Meeting of Shareholders;
2. Monika Majewska acquired 14 645 shares with a total nominal value of PLN 732,250 representing 34.33% of the Company's share capital and votes at the General Meeting of Shareholders.

In accordance with an investment agreement concluded on 29 December 2016, it is expected that T-matic Systems S.A. will increase its share capital in 2017, as a result of which the shareholding of GEOTIK Sp. z o.o. will amount to 66.7%. On 22 December 2017, Arcus S.A. acquired all shares held by T-matic in Geotik.

Geotik is a subsidiary of Arcus. The company was subject to full consolidation as at 31 December 2017 and as at 31 December 2016, however without an impact on the consolidated result for 2016, due to the fact that between the date of the Company's consolidation and the balance sheet date there were no events that could have a significant impact on the Group's result.

In connection with the acquisition by ARCUS Group of Geotik (Ricaline) in 2016 a provisional determination of goodwill being a surplus of the costs of a business combination amounting to PLN 5 050 thousand over the net fair value of pre-identified assets, liabilities and contingent liabilities of value amounting to PLN 171 thousand, was made in the financial statement for 2016. Goodwill of Geotik / Ricaline determined as at 31 December 2017 in the amount of PLN 4 896 thousand PLN is final.

32 CREDIT AND LEASE AGREEMENTS

Lease agreements

Based on leasing agreements concluded with leasing companies, the Group has printing, copying and telemetry equipment, which is provided to Group's clients for further lease. Mentioned agreements meet the criteria of finance lease. As at the balance sheet date, lease liabilities amounted to PLN 3,026 thousand. These agreements are concluded for a period of 24 to 60 months.

Lease agreements

	As at 31.12.2017	As at 31.12.2016
Payable within 1 year	2 352	2 476
Payable within the period of 1 to 5 years	674	2 640
Total	**3 026**	**5 116**

Credit agreements

As at 31 December 2017, A Dominant Enityty had an overdraft in the amount of PLN 2 million with maturity date falling on 30 September 2018. As at the balance sheet date the amount of PLN 0.38 million was used. According to the annex to the overdraft agreement signed on 16 January 2018, the amount of credit increased by PLN 2 million available for the period until 29 April 2018.

As at the balance sheet date and until the date of publication of this report, there were no grounds for termination by the bank of the terms and conditions of the binding agreement. As at the balance sheet date, the Company was a party to the agreement concluded with Kyocera Document Solutions Europe B.V. and relating to financing the supplies in the amount of EUR 4.3 million with collateral in the form of a bail granted by the majority shareholder.

At 31.12.2016, a subsidiary - Arcus Systemy Informatyczne had an overdraft facility in the amount of PLN 1,5 million with maturity date falling on 29 May 2018. As at the balance sheet date, the full limit was used. As at 31 December 2017, a subsidiary - Docusoft held a short-term loan with a limit of PLN 0.2 million, of which PLN 0.16 million was used as at the balance sheet date.

33 SUBSIDIES

In the reporting period the Group did not receive new subsidies.

Subsidy to software up to the amount of depreciation deductions received in previous years is recognized by the Group in other orating revenues.

34 TRANSACTIONS WITH ASSOCIATES

Transactions with associates

Associate	Sale	Acquisition	Receivables	Liabilities
2017				
Rafał Kręcisz	3		4	
Piotr Golik	3	218		71
Marek Czeredys				322
Michał Czeredys			203	
Total	**6**	**218**	**207**	**393**
2016				
ADD Polska Sp. z o.o S. Komandyt.	820		474	
Polmag	7			
Rafał Kręcisz	3	147	2	
Sławomir Majdański	3	120		

Piotr Golik	1	336		
Marek Czeredys				307
Michał Czeredys			203	
Total	**834**	**603**	**679**	**307**

Transactions with associates are executed on an arm's length basis.

35 REMUNERATION

Remuneration of senior executives

	Year ended 31.12.2017	Year ended 31.12.2016
Management Board	1 302	878
Supervisory Board	456	407
Management contract	300	300
Directors	3 843	3 816
Total	**5 901**	**5 401**

36 EXPLANATION OF DIFFERENCES BETWEEN DATA DISCLOSED IN THE FINANCIAL STATEMENT AND COMPARATIVE DATA

The comparative data included in this report does not differ from the data contained in the approved consolidated financial statement for 2016.

37 EMPLOYMENT

At 31 December 2017 Arcus Group employed 231 persons, while at the end of the comparable period - 238 persons.

38 OFF-BALANCE SHEET ITEMS

Details of the off-balance sheet liabilities are disclosed in section 30.

39 EVENTS AFTER BALANCE SHEET DATE

On 16 January 2018 an annex to the overdraft agreement was signed, under which the amount of credit increased by PLN 2 million available for the period until 29 April 2018.

40 RISK MANAGEMENT

Business risk assigned to Arcus Group is an inherent feature of the activity pursued. The Group identifies and regularly updates the risk in its core groups, along with estimating the probability of their occurrence and their value and impact on the group's economic situation. Due to the importance that the group attaches to risk management, the Management Board of Arcus S.A. is responsible for the development and implementation of risk management policy at the management level. Detailed assignment to specific classes of risk is associated with the division of responsibilities between the board members. In addition, their activities are supported by an ISO attorney and specialized audit, advisory and law firms. The Company uses hedging mechanisms to limit the potential negative effects of events that may occur as a result of risk materialisation. Recognizing the importance of risk management, the company established an audit committee and appointed a board member responsible for corporate and legal matters. In performing its business operations, the Company is exposed to the following risks:

40.1 Foreign exchange risk

Foreign exchange risk arises from the nature of the business - ARCUS S.A. is an importer of goods and services (from EUR and USD areas), which are resold on the domestic market in PLN. Other Group's companies do not perform significant foreign exchange transactions. In 2017, the Group did not issue derivative instruments.

40.2 Interest rate risk

The Group's companies use revolving and special-purpose bank loans based on the variable WIBOR interest rate and the added bank margin. In addition, lease agreements of which the Companies are a party to are also based on the WIBOR rate. The Group's companies do not use interest rate hedging instruments since the impact of such risk on their performance is minimal. Free cash is invested in short-term bank deposits.

40.3 Credit risk

Credit risk refers mainly to asset classes such as receivables, loans granted, cash and deposits, short-term financial assets. Customers starting cooperation with the use of merchant credit are subject to the verification procedure aimed at assessing the financial standing. Then, the arising trade receivables are subject to constant monitoring as part of the cooperation of commercial and administrative departments. A large customer base and their diversification cause the reduction of credit risk by becoming independent of a small group of significant customers.

40.4 Risk related to financial assets held

Such risk is related to the market valuation of financial assets held by the Company that are subject to periodic changes due to fluctuations in stock quotes. Risks related to estimates are described in item 4.4. "Estimates and judgments".

40.5 Risk related to liquidity

The management of the Group's liquidity covers the following areas: current, constant monitoring of liabilities and trade receivables, cash flow and Company's cash needs forecasting, active cash management. Liquidity risk is the risk of losing the ability to settle the liabilities within time limits. The risk arises from the potential restriction of an access to financial markets or changes in the attitude of banks to grant credits, which may result in inability to obtain new financing or refinancing the debt. The Group monitors the risk of lack of cash by adapting the financing structure to the projected future cash flows and diversifying sources of financing through the use of different products such as loans, financing by suppliers or finance lease agreements. The reduction of the available overdraft facility after the balance sheet date is associated with a change in the Company's financing model based on an increased financial commitment by the partner - Kyocera Document Solutions Europe B.V. Taking above into consideration, in the opinion of the Management Board, the risk of loss of liquidity should be assessed as moderate.

41 CAPITAL MANAGEMENT

The main objective of the Group's capital management is to maintain a strong credit rating and healthy capital ratios in order to support the Group's operations and increase its value for the shareholders.
The Group manages the capital structure and introduces the relevant changes as a result of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may change the dividend payment to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2017, no changes were introduced to the objectives, principles and processes in force in this area. The Group

monitors the balance of capital. Net debt includes interest-bearing loans and borrowings, trade and other liabilities, less cash and cash equivalents.

CAPITAL MANAGEMENT

	As at 31.12.2017	As at31.12.2016
Interest-bearing loans and borrowings	2 218	4 291
Trade and other liabilities	42 449	41 812
Less cash and cash equivalents	1 824	1 079
Net debt	**42 843**	**45 024**
Equity attributable to shareholders of a Dominant Entity	43 616	42 640
Net equity and debt	**86 459**	**87 664**

42 CLASSES OF FINANCIAL INSTRUMENTS

The table below compares the balance sheet values and fair values of all of the Group's financial instruments, broken down by classes and categories of assets and liabilities.

CLASSES OF FINANCIAL INSTRUMENTS

	As at 31.12.2017		As at 31.12.2016	
	Fair value	Carrying value	Fair value	Carrying value
FINANCIAL ASSETS				
Loans granted	**452**	**452**	**476**	**476**
Held-to-maturity financial assets				
Trade receivables and other receivables	**73 293**	**56 778**	**57 348**	**56 778**
Cash and cash equivalents	1 824	1 824	1 079	1 079
FINANCIAL LIABILITIES				
Credit liabilities	2 218	2 218	4 291	4 291
Trade liabilities and other liabilities	59 234	40 543	45 054	40 543

Financial Statement of ARCUS S.A. Group for the year 2017 was approved for publication and signed by the Management Board of ARCUS S.A. on 27 April 2018.

Warsaw, 27 April 2018

…………………………………….	…………………………………….	…………………………………….
Michał Czeredys President of the Management Board	Rafał Czeredys Member of the Management Board	Katarzyna Balcerowicz Financial Director Chief Accountant