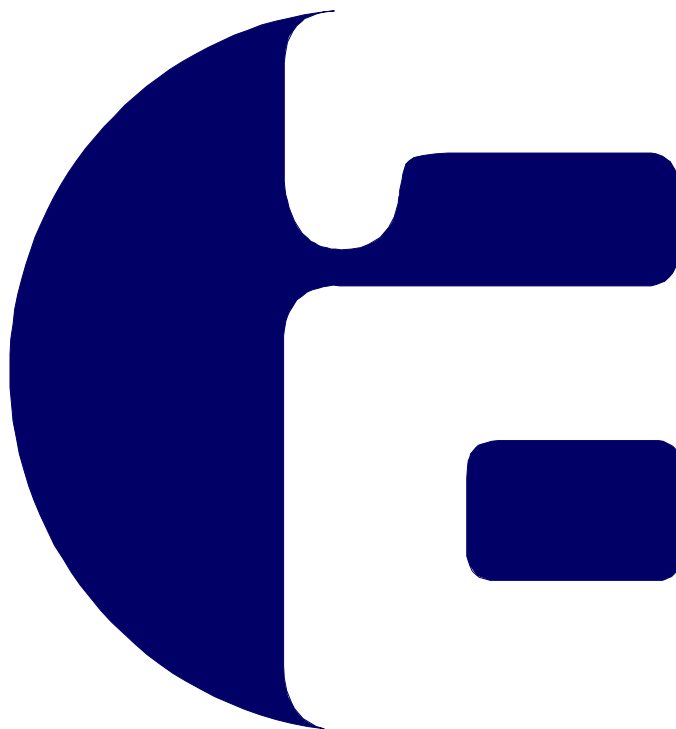


ARCUS Spółka Akcyjna

www.arcus.pl



Consolidated Interim Report of
Arcus Spółka Akcyjna
for the period from 1 January to 30 June 2018

Prepared in accordance with the International Financial
Reporting Standards



1 Selected financial data

1.1 Data relating to the interim consolidated financial statement of ARCUS GROUP

Lp.	SELECTED FINANCIAL DATA	PLN THOUSAND		EUR THOUSAND	
		from 01.01 to 30.06.2018	from 01.01 to 30.06.2017	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017
I	Sales revenues	61 367	56 413	14 479	13 282
II	Profit (loss) on operating activities	-2 382	-2 782	-562	-655
III	Profit (loss) before tax	-4 084	-2 293	-964	-540
IV	Profit (loss)	-3 429	-1 935	-809	-456
V	Profit (loss) attributable to the shareholders of a Dominant Entity	-2 636	-1 235	-622	-291
VI	EBITDA	-656	-1 249	-155	-294
VII	Comprehensive income	-3 429	-1 935	-809	-456
VIII	Comprehensive income attributable to the shareholders of a Dominant Entity	-2 636	-1235	-622	-291
IX	Net Cash Flows from operating activities	-4 382	2 835	-1 034	668
X	Net Cash Flows from investing activities	-610	-1 010	-144	-238
XI	Net Cash Flows from financing activities	4 235	-2 406	999	-567
XII	Change in cash	-758	-582	-179	-137
XIII	Net profit (loss) and diluted net profit (loss) per share attributable to the shareholders of a Dominant Entity	-0,36	-0,17	-0,08	-0,04
		PLN THOUSAND		EUR THOUSAND	
		as at 30.06.2018	as at 30.06.2017	as at 30.06.2018	as at 30.06.2017
XIV	Total assets	101 564	95 010	23 286	22 480
XV	Long-term liabilities	22 060	6 941	5 058	1 642
XVI	Short-term liabilities	35 969	43 444	8 247	10 279
XVII	Equity	43 534	44 625	9 981	10 558
XVIII	Equity attributable to the shareholders of a Dominant Entity	40 980	41 115	9 396	9 728
XIX	Share capital	732	732	168	173
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	5,60	5,62	1,28	1,33



1.2 Data relating to the interim separate financial statement of a Dominant Entity - ARCUS S.A.

Data relating to the interim separate financial statement of a Dominant Entity – ARCUS S.A.

SELECTED FINANCIAL DATA	PLN THOUSAND		EUR THOUSAND	
	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017
I Sales revenues	51 205	44 817	12 081	10 552
II Profit (loss) on operating activities	-327	-877	-77	-207
III Profit (loss) before tax	-1 643	-234	-388	-55
IV Net profit (loss)	-1 326	-189	-313	-45
V EBITDA	609	-29	144	-7
VI Comprehensive income	-1 326	-189	-313	-45
VII Net Cash Flows from operating activities	-4 314	3 502	-1 018	824
VIII Net Cash Flows from investing activities	-1 809	-1765	-427	-415
IX Net Cash Flows from financing activities	5 174	-2 048	1 221	-482
X Change in cash	-949	-311	-224	-73
XI Net profit (loss) and diluted net profit (loss) per share	-0,18	-0,03	-0,04	0,01

	PLN THOUSAND		EUR THOUSAND	
	as at 30.06.2018	as at 30.06.2017	as at 30.06.2018	as at 30.06.2017
XII Total assets	117 295	103 718	26 892	24 540
XIII Long-term liabilities	20 791	5 745	4 767	1 359
XIV Short-term liabilities	30 249	34 655	6 935	8 199
XV Equity	66 255	63 318	15 191	14 981
XVI Share capital	732	732	168	173
XVI I Weighted average number of shares	7 320 000	7 320 000	7 320 000	7 320 000
XVI I Book value and diluted book value per share	9,05	8,65	2,08	2,05



1.3 The rules applied for converting financial data

Financial data in EUR has been converted according to the following rules:

- individual items of assets and liabilities – according to the National Bank of Poland average exchange rates on:
 - 30.06.2018 – 4,3616 PLN/EUR;
 - 30.06.2017 – 4,2265 PLN/EUR.
- individual items of the statement of comprehensive income and statement of cash flows - at the rate being the arithmetic average of the rates determined by the National Bank of Poland on the last day of each month of the year:
 - for the period from 1.01.2018 to 30.06.2018 – 4,2384 PLN/EUR;
 - for the period from 1.01.2017 to 30.06.2017 – 4,2474 PLN/EUR.



2 Condensed consolidated financial statement of ARCUS S.A. GROUP

2.1 Consolidated profit and loss account and consolidated statement of comprehensive income of ARCUS S.A. Group

Profit and loss account

	Note	01.01-30.06.2018	01.01-30.06.2017
Sales revenues	5.1	61 367	56 413
Costs of products, goods and materials sold	5.5	-45 629	-41 361
Gross profit (loss) from sales		15 738	15 052
Other operating income	5.6	295	426
Costs of sales	5.5	-12 448	-12 301
General administrative expenses	5.5	-5 849	-5 642
Other operating expenses	5.6	-118	-317
Operating income (loss)		-2 382	-2 782
Financial income	5.7	85	677
Financial costs	5.7	-1 787	-188
Profit (loss) before tax		-4 084	-2 293
Income tax:	5.8	655	358
Current income tax			
Deferred income tax		655	358
Net profit (loss)		-3 429	-1 935
Profit (loss) attributable to:			
Shareholders of a Dominant Entity		-2 636	-1 235
Minority Shareholders		-793	-700
Profit (loss) annualized		-1 091	-5 202
Ordinary and diluted	5.9	-0,36	-0,17

Statement of comprehensive income

	Note	01.01-30.06.2018	01.01-30.06.2017
Net profit (loss)		-3 429	-1 935
Items that may be classified to the financial result in the future:			
The total of the components of other comprehensive income		0	0
Comprehensive income for the period		-3 429	-1 935
Comprehensive income for the period attributable to:			
Shareholders of a Dominant Entity		-2 636	-1 235
Minority Shareholders		-793	-700
Comprehensive income for the period attributable to the Shareholders of a Dominant Entity (in PLN per share)			
Ordinary and diluted (in PLN per share)		-0,36	-0,17



2.2 Consolidated statement of financial position of ARCUS S.A. Group

Statement of financial position

	Note	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
CURRENT ASSETS				
Inventories	5.11	3 181	3 532	3 985
Trade receivables and other receivables	5.12	7 185	7 757	7 216
Loans granted	5.13	13 826	13 826	13 808
Cash		7 264	6 357	6 823
Total		4 739	4 413	8 156
TOTAL ASSETS		<u>36 195</u>	<u>35 885</u>	<u>39 988</u>
CURRENT ASSETS				
Inventories	5.14	22 772	9 281	16 181
Trade receivables and other receivables	5.15	41 069	66 936	37 655
Loans granted		462	452	688
Cash	5.16	1 066	1 824	498
Total	-	<u>65 369</u>	<u>78 493</u>	<u>55 022</u>
TOTAL ASSETS		101 564	114 378	95 010

Liabilities

PLN THOUSAND

	Note	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Equity attributable to the shareholders of a Dominant Entity				
Share capital	5.10	732	732	732
Share premium		37 631	37 631	37 631
Other reserves		143	143	143
Retained earnings	22	2 474	5 110	2 609
Total		40 980	43 616	41 115
Non-controlling interests		2 554	3 347	3 510
<u>Equity – total</u>	-	<u>43 534</u>	<u>46 963</u>	<u>44 625</u>
Long-term liabilities	5.17			
Deferred income tax reserve		4 568	4 877	4 555
Provisions for liabilities	5.21	340	341	436
Long-term borrowings and bank loans	5.18	381	0	0
Other long-term liabilities		16 771	16 785	1 950
<u>Total</u>		<u>22 060</u>	<u>22 003</u>	<u>6 941</u>
Short-term liabilities	5.20			
Short-term borrowings and bank loans	5.18	6 783	2 218	2 421
Trade liabilities and other liabilities		28 374	42 449	40 237
Provisions for liabilities	5.21	813	745	786
<u>Total</u>	-	<u>35 970</u>	<u>45 412</u>	<u>43 444</u>
TOTAL LIABILITIES		101 564	114 378	95 010



2.3 Consolidated statement of cash flows of ARCUS S.A. Group

Statement of cash flows

	1.01-30.06.2018	01.01-30.06.2017
Cash flows from operating activities		
Profit before tax	-4 084	-2 292
Adjustments	-299	5 127
Depreciation and amortisation	1 725	1 533
Interests received	284	94
Result on investing activities	-115	102
Change in inventories	-13 491	-6 127
Change in receivables	24 959	14 701
Change in liabilities and reserves	-13 661	-4 628
Other	0	-548
<u>Net cash from operating activities</u>	<u>-4 383</u>	<u>2 835</u>
Cash flows from investing activities		
Inflows	281	362
Disposal of intangible and tangible fixed assets	281	162
Other		200
Outflows	-891	-1 372
Expenditures for the purchase of intangible and fixed tangible assets	-891	-1 172
Loans granted	0	-200
<u>Net cash from investing activities</u>	<u>-610</u>	<u>-1 010</u>
Cash flow from financing activities		
Inflows	<u>6 678</u>	<u>131</u>
Inflows from borrowings and loans	6 675	114
Interests	3	17
Outflows	-2 443	-2 537
Dividends and other payments to the owners	-367	-100
Repayment of debt	-1 730	-1 984
Financial lease payments	-254	-352
Interests paid	-92	-101
<u>Net cash from financing activities</u>	<u>4 235</u>	<u>-2 406</u>
Change in cash	-758	-581
Cash at the beginning of the period	1 824	1 079
Cash at the end of the period	1 066	498



2.4 Consolidated statement of changes in equity of ARCUS S.A. Group

For the period from 1 January
to 30 June 2018

	<i>Equity attributable to the shareholders of a Dominant Entity</i>			<i>Equity attributable to Minority Shareholders</i>	TOTAL EQUITY
	Share capital, reserve capital, share premium	Retained earnings	Total		
As at 1 January 2018	38 506	5 110	43 616	3 347	46 963
Net profit	-	2 636	2 636	793	3 429
Comprehensive income for the period	-	2 636	2 636	793	3 429
As at 30 June 2018	38 506	2 474	40 980	2 554	43 534

For the period from 1 January
to 31 December 2017

	<i>Equity attributable to the shareholders of a Dominant Entity</i>			<i>Equity attributable to Minority Shareholders</i>	TOTAL EQUITY
	Share capital, reserve capital, share premium	Retained earnings	Total		
As at 1 January 2017	38 506	4 134	42 640	4 477	47 117
Net profit/loss	0	1 266	1 266	-863	403
Total of comprehensive income	0	1 266	1 266	-863	403
Dividend in subsidiaries		-290	-290	-267	-557
As at 31 December 2017	38 506	5 110	43 616	3 347	46 963

For the period from 1 January
to 30 June 2017

	<i>Equity attributable to the shareholders of a Dominant Entity</i>			<i>Equity attributable to Minority Shareholders</i>	TOTAL EQUITY
	Share capital, reserve capital, share premium	Retained earnings	Total		
As at 1 January 2017	38 506	4 134	42 640	4 477	47 117
Net profit/loss	0	-1 235	-1 235	-700	-1 935
Total of comprehensive income	0	-1 235	-1 235	-700	-1 935
Dividend in subsidiaries		-290	-290	-267	-557
As at 30 June 2017	38 506	2 609	41 115	3 510	44 625



3 Key information

3.1.1 Dominant Entity

ARCUS S.A. – Contact details

Business name:	ARCUS S.A.
Registered office:	5/7 Kolejowa St. 01-217 Warsaw
Telephone no:	+48 22 536 09 00
e-mail:	arcus@arcus.pl
www:	www.arcus.pl

ARCUS S.A. is a Dominant Entity in ARCUS S.A. Group operating as a Joint Stock Company. 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. (Limited Liability Company).

The Company's registered office and place of business is at the following address: 5/7 Kolejowa Street, Warsaw. The Company is registered with the District Court for the City of Warsaw, 12th Commercial Division of the National Court Register under the following number: 0000271167. ARCUS S.A. is one of the largest providers of integrated document management and mass mailings systems on the Polish market. ARCUS S.A. is a representative of Kyocera Document Solutions and Pitney Bowes in Poland.

The shares of ARCUS S.A. are admitted to trading on the Warsaw Stock Exchange Main Market since 19 June 2008. 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.

3.1.2 Management Board

As at 1 January 2018, 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 30 June 2018 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.

3.1.3 Supervisory Board

As at 1 January 2018, 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 30 June 2018 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,
- Jolanta Grus – Member of the Supervisory Board,
- Krzysztof Rajczewski – Member of the Supervisory Board,
- Leszek Lechowski – Member of the Supervisory Board,
- Michał Łotoszyński – Member of the Supervisory Board.

On 27 June 2018, the Ordinary General Meeting of Shareholders appointed the Supervisory Board in the aforementioned composition for the next joint three-year term of office.

3.1.4 ARCUS S.A. GROUP

As at 30 June 2018 and as at the day of the financial statement hereof publication 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 – DocuSoft Sp. z o.o.
- Subsidiary undertaking – Durau Sp. z o.o. and its subsidiary undertaking - LMT Sp. z o.o. incorporated in 2016
- Arcus Kazachstan – non-operating company, liquidated after the balance sheet date
- Zeccer Sp. z o.o. – shares acquired after the balance sheet date

ARCUS SA - dominant entity with its registered office in Warsaw at 5/7 Kolejowa Street, registered with 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 mass mailings 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 with the District Court for the City of Lublin-Wschód with its registered office 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. is a non-operating company.

T-matic Systems SA („T-matic”) with its registered office in Warsaw at 5/7 Kolejowa Street, registered with 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 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 with 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 with 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 with 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 Kazakhstan Sp. z o.o. with its registered office in Astana. Arcus Kazakhstan Sp. z o.o. was a non-operating company and was liquidated after the balance sheet date.

Zeccer Sp. z o.o. – entity acquired after the balance sheet date - with its registered office in Wrocław, registered with the District Court for the City of Wrocław, Commercial Division of the National Court Register under the number KRS 0000425365. The company offers document management services on the retail market.



4 Information on the rules adopted for the purpose of preparation of the interim condensed financial statement for the first half of 2018

4.1 Basis for preparing the financial statement

The presented interim consolidated financial statement has been prepared in accordance with the requirements of IAS 34 "Interim financial reporting" and in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-Member State (Journal of Laws No. 33, item 259 as amended) and presents the financial situation of ARCUS S.A. Group as at 30 June 2018, 30 June 2017, the results of its operations for the six-month period ended 30 June 2018 and 30 June 2017, and cash flows for the six-month period ended 30 June 2018 and 30 June 2017.

The consolidated financial statement has been prepared with the assumption that the Group will continue as a going concern in the foreseeable future. Regarding the negative equity of T-matic Systems S.A., the Management Board of the Dominant Entity maintains its opinion on the absence of any threat to the continuation of the company's operations due to the Group's development strategy and the intention of a Dominant Entity to provide financial support to T-matic Systems S.A. in the period necessary for that company to gain the ability to generate positive economic results. Apart from the above, on the day of preparing the financial statement hereof, there are no other circumstances indicating a threat to continuation of business operations by ARCUS S.A. Group's companies. No operations were discontinued in the reporting period.

4.2 Statement of compliance

The Condensed Consolidated Financial Statement hereof has been prepared in accordance with the International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34").

4.3 New standards and interpretations not yet adopted by ARCUS S.A. Group

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

- amendments to IFRS 16 in terms of leases – approved by the EU on 31 October 2017, effective for annual periods beginning on or after 1 January 2019,
- 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. However, the European Commission decided not to start the approval process of this provisional standard until the final version of IFRS 14 is issued,
- 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 was postponed until the completion of research on the equity method);



- Amendments to IAS 12 "Recognition of deferred income assets for unrealized losses" - effective for annual periods beginning on or after 1 January 2019; until the date of publication of this financial statement 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 Change in accounting policy

The accounting principles and calculation methods adopted for the preparation of the consolidated financial statement hereof are consistent with the principles described in the approved financial statement of Arcus S.A. Group prepared in accordance with IFRS for the year ended 31 December 2017 and new standards effective from 1 January 2018:

- IFRS 9 "Financial Instruments" published on 24 July 2014, approved on 22 November 2016, effective for annual periods beginning on 1 January 2018,
- IFRS 15 "Revenues from contracts with customers" was published on 28 May 2014, approved on 22 September 2016, effective for annual periods beginning on or after 1 January 2018.

The Group decided that the above standards do not have a material impact on the accounting policy applied by the Group. This matter will be verified by the auditor during the review.

The condensed consolidated financial statement hereof should be read in conjunction with the consolidated financial statement of ARCUS S.A. for the year 2017 available on the Issuer's website at www.arcus.pl.

The functional and presentation currency of this interim condensed consolidated financial statement of Arcus S.A. Group is Polish zloty. All financial data is presented in thousands PLN, unless otherwise indicated.



5 Additional explanatory notes

5.1 Sales revenues

Sales revenues		
	01.01-30.06.2018	01.01-30.06.2017
Revenues from sales of services	18 001	18 369
Revenues from sales of goods	43 366	38 044
<u>Total</u>	<u>61 367</u>	<u>56 413</u>

The tables below present the functional and geographical structure of sales revenues of Arcus S.A. Group.

Sales revenues		
	01.01-30.06.2018	01.01-30.06.2017
Domestic sales	60 677	55 078
Foreign sales	690	1 335
<u>Total</u>	<u>61 367</u>	<u>56 413</u>

5.2 Seasonality and cyclicity

The operations of ARCUS S.A. Group are not subject to seasonality or cyclicity. Revenues are generated on the basis of 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 factors do not have a significant impact on the comparability of the Group's full-year results while the policy of business diversification reduce the effects of seasonality and incidental transactions to a limited extent.

5.3 Operating segments

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

- **IT segment** - covering sales and leasing of copying devices and equipment for mail and document lifecycle management (office solutions), hardware and electronics,
- **Telematics segment** – covering the fleet monitoring 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 services as well as integration services for ICT solutions (information and telecommunications technologies) and ERP implementations.



Consolidated financial statement of Arcus S.A. for the period from 1 January to 30 June 2018

Data for the period from 01.01 to 30.06.2018

	PLN THOUSAND				Total
	IT Segment	Telematics Segment	Telemetry Segment	Services Segment	
Sales to external clients	45 719	2 203	532	12 913	61 367
Sales between segments	0	0	0	0	0
Total segment's revenues	45 719	2 203	532	12 913	61 367
Segment's result	3 446	251	-309	-2 400	988
Unassigned costs	-	-	-	-	-3 369
Profit on operating activities	-	-	-	-	-2 381
Net financial revenues	-	-	-	-	-1 703
Profit before tax	-	-	-	-	-4 084
Income tax	-	-	-	-	655
Net profit for the financial year	-	-	-	-	-3 429
Assets and liabilities					
Segment's assets	61 734	2 941	710	16 548	81 933
Unassigned assets	-	0	-	-	19 631
Total assets					101 564
Segment's liabilities	37 095	1 767	427	9 943	49 232
Unassigned liabilities	-	-	-	-	52 332
Liabilities					101 564

Data for the period from 01.01 to 30.06.2018

	PLN THOUSAND				Total
	IT Segment	Telematics Segment	Telemetry Segment	Services Segment	
Sales to external clients	40 266	1 625	102	14 420	56 413
Sales between segments	0	0	0	0	0
Total segment's revenues	40 266	1 625	102	14 420	56 413
Segment's result	1 665	-396	-751	-17	501
Unassigned costs	-	-	-	-	-3 283
Profit on operating activities	-	-	-	-	-2 782
Net financial revenues	-	-	-	-	489
Profit before tax	-	-	-	-	-2 293
Income tax	-	-	-	-	358
Net profit for the financial year	-	-	-	-	-1 935
Assets and liabilities					
Segment's assets	51 783	2 090	131	18 544	72 548
Unassigned assets	-	0	-	-	22 462
Total assets					95 010
Segment's liabilities	33 489	1 352	85	11 993	46 919
Unassigned liabilities	-	-	-	-	48 091
Liabilities					95 010

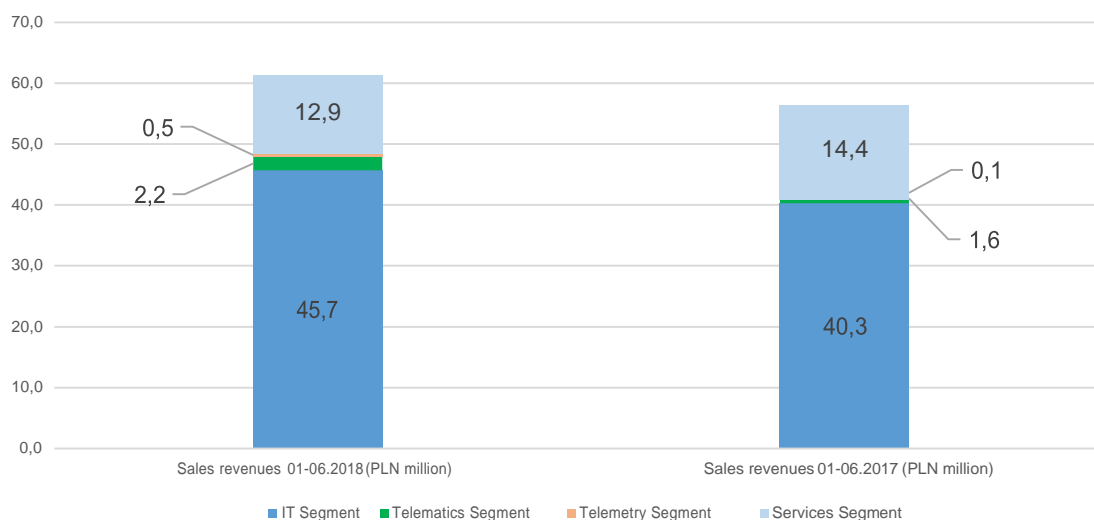
5.4 Description of significant achievements or failures of the Group and events affecting the generated financial result

In the first half of 2018, the Group has continued the activities initiated in previous periods related to the implementation of a modified sales policy which assumed:

- Reducing the share of operations beyond the Group's specialization,
- Elimination of high-risk activities and those of significant probability of incurring losses in the future,
- Intensification of activities aimed at gaining clients from the segment of small and medium enterprises,
- Building a competitive advantage based on own distribution and service network,
- Systematic introduction of own technological solutions complementing the functionality of global producers' products,
- Increasing the profitability in the telematics services segment,
- Acquisition of new clients in the telemetry services segment.

The results of the reporting period are the effect of rebuilding the sales revenues, mainly consumables (an increase of PLN 6 012 thousand or 42% compared to the corresponding period of 2017), shifts in the performance of some contracts (the necessity to maintain the infrastructure) and foreign exchange losses (in the comparative period – foreign exchange gains). The Group expects that conclusion and implementation of rescheduled contracts will be executed in subsequent periods.

The sales value by specific segments in the first half of 2018 compared to the same period of 2017 shows an increase in sales revenues mainly in the IT segment.





5.4.1 IT Segment

As in the previous periods, the IT segment remains the dominant segment of Arcus Group's business. In the first six months of 2018, the sales revenues in the amount of PLN 45,719 thousand were generated, which represents an increase of 13.5% in relation to the comparable period of 2017. The segment's profitability increased by 3.4 pp. The change in the sales structure with a higher share of high-margin contracts contributed to this situation. On the other hand, a significant increase in revenues was the result of a return to the growth path in the field of toner sales, which is characterized by lower profitability.

IT Segment, 01-06.2018/01-06.2017				
	01-06.2018	01-06.2017	PLN - change	% - change
Sales revenues (PLN thousand)	45 719	40 266	5 453	13,5%
Segment's result (PLN thousand)	3 446	1 665	1 781	107,0%
Sales profitability	7,5%	4,1%	3,4	pp

5.4.2 Telematics Segment

In the first half of 2018, the sales revenues in the amount of PLN 2,203 thousand were generated by the Telematics segment, which represents an increase by PLN 578 thousand (35.6%) compared to the corresponding period last year. The segment's result improved significantly in relation to the comparable period. This is the effect of an investment in Geotik company, which launched its operational activity with the beginning of the comparable period, increasing the number of serviced vehicles and started to generate positive financial results.

Telematics segment, 01-06.2018/01-06.2017				
	01-06.2018	01-06.2017	PLN - change	% - change
Sales revenues (PLN thousand)	2 203	1 625	578	35,6%
Segment's result (PLN thousand)	251	-396	647	163,4%
Sales profitability	11,4%	-24,4%	35,8	pp.

5.4.3 Telemetry Segment

The level of segment's profitability and revenues (which were higher than after the comparable period last year), was still affected by customer' delays in launching telemetric projects and the necessity of the of the contractor to incur maintenance costs.

Telemetry Segment, 01-06.2018/01-06.2017				
	01-06.2018	01-06.2017	PLN - change	% - change
Sales revenues (PLN thousand)	532	102	430	421,6%
Segment's result (PLN thousand)	-309	-751	442	-58,9%
Sales profitability	-58,1%	-736,3%	678,2	pp.



The implementation and completion of contracts within the segment, with a positive impact on the profitability, is expected to occur in subsequent periods and depended on projects performed by the largest energy companies in Poland.

5.4.4 Services Segment

The fourth of the ARCUS Group's business areas is the Services Segment covering, in particular, maintenance and repair services as well as services associated with integration of ICT solutions (information and telecommunications technologies) and ERP implementations. In the first half of 2018, the segment generated sales revenues in the amount of PLN 12 913 thousand which represents a decrease compared to the comparable period last year. The profitability in the reporting period has decreased.

Services Segment, 01-06.2018/01-06.2017				
	01-06.2018	01-06.2017	PLN - change	% - change
Sales revenues (PLN thousand)	12 913	14 420	-1 507	-10,5%
Segment's result (PLN thousand)	-2 400	-17	-2 383	
Sales profitability	-18,6%	-0,1%	-18,5 pp.	

The Group is not satisfied with the results of the segment, which were affected by non-execution of EU funds within the services offered by the segment while incurring the necessary maintenance costs. The Group expects positive changes in this regard in subsequent periods.

5.5 Costs by nature

Costs by nature		
	01.01-30.06.2018	01.01-30.06.2017
Value of goods sold	31 279	28 125
Third-party services	9 777	9 115
Remunerations and employee benefits	11 575	12 223
Consumption of materials and energy	8 082	6 886
Taxes and fees	570	652
Amortisation and depreciation	1 725	1 533
Other sundry expenses	919	792
Total	63 927	59 326
Change in inventory	-3	-21
Costs of operating activities	63 926	59 304
Cost of products and services sold	12 448	12 301
General and administrative costs	5 849	5 642
Cost of sales	45 629	41 361



5.6 Other operating revenues

Other operating revenues

	01.01-30.06.2018	01.01-30.06.2017
Profit from the sales of fixed assets	114	6
Compensation received	14	13
Subsidies received		75
Other	167	332
Total	295	426

Other operating costs

	01.01-30.06.2018	01.01-30.06.2017
Loss on disposal of fixed assets		108
Other	118	209
Total	118	317

5.7 Financial revenues and costs

Financial revenues

	01.01-30.06.2018	01.01-30.06.2017
Interests on bank deposits	15	12
Other interests received	2	6
Other - including foreign exchange gains	68	659
Total	85	677

Financial costs

	01.01-30.06.2018	01.01-30.06.2017
Interests on bank loans	93	67
Other interests received	32	18
Other - including foreign exchange losses	1 662	103
Total	1 787	188

Foreign exchange losses were a significant item of financial costs incurred in the first half of 2018, which considerably affected the result of the period as compared to the first half of 2017 after which foreign exchange gains had been recognized in the financial revenues.



5.8 Income tax

Income tax

	01.01-30.06.2018	01.01-30.06.2017
Deferred income tax	655	358

Effective taxation in the reporting period was similar to the level reported in the comparable period. The tax at the nominal rate, also with a positive impact on the result, for the reported period would amount to PLN 776 thousand (non-loss of companies and permanent differences).

5.9 Net profit (loss) per share

	01.01-30.06.2018	01.01-30.06.2017
Weighted average number of shares	7 320 000	7 320 000
Net profit attributable to the shareholders of a Dominant Entity (PLN thousand)	-2 636	-1 235
Net profit per share attributable to the shareholders of a Dominant Entity	-0,36	-0,17
Diluted profit per share attributable to the shareholders of a Dominant Entity	-0,36	-0,17

5.10 Share capital

The share capital of ARCUS S.A. currently amounts to PLN 732 000 and is divided into 7 320 000 bearer ordinary shares of the Company (previously A, B and C-series shares; currently D-series shares) with a nominal value of PLN 0.10 each entitling to 7 320 000 votes. All shares are admitted to trading on the Warsaw Stock Exchange.

Shareholders of a Dominant Entity - ARCUS S.A. holding directly or indirectly at least 5% of the total number of votes at the Company's General Meeting (according to the Company's knowledge) as at the day of disclosing the report hereof.

Share capital	Number of shares	Value of shares in the share capital	% share in the share capital	% of votes at the General Meeting
MMR Invest S.A. 1)	4 800 000	480 000,00	65,6%	65,6%
Other	2 520 000	252 000,00	34,4%	34,4%
Total	7 320 000	732 000,00	100,0%	100,0%

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

The Company has no information about significant changes in the shareholding structure in the period between the date of publication of the annual report and the date of disclosure of the report hereof.



5.11 Fixed tangible assets

Fixed tangible assets

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Fixed assets			
Buildings and structures	216	280	357
Machines and devices	390	707	930
Means of transport	782	809	1 147
Other	550	897	995
Fixed assets - total	1 938	2 693	3 429
Prepayments for fixed assets	407	316	213
Fixed assets under construction	836		
Fixed tangible assets		523	343
Buildings and structures	3 181	3 532	3 985

Change in fixed assets in the period from 01.01 to 30.06.2018

	Buildings and structures	Machines and devices	Means of transport	Other	Total
Net opening balance	280	707	809	897	2 693
Gross value					0
As at 01.01.2018	889	3 150	2 894	3 152	10 085
Increase - purchase		116	314	173	603
Decrease - sale and liquidation		325	467	626	1 418
As at 30.06.2018	889	2 941	2 741	2 699	9 270
Redemption					0
As at 01.01.2018	609	2 442	2 085	2 255	7 391
Increase – amortization and depreciation	64	254	230	232	780
Decrease - sale and liquidation		146	356	337	839
As at 30.06.2018	673	2 550	1 959	2 150	7 332
Net as at 30.06.2018	216	391	782	549	1 938

Change in fixed assets in the period from 01.01 to 30.06.2017

	Buildings and structures	Machines and devices	Means of transport	Other	Total
Net opening balance	435	1 406	1 376	905	4 122
Gross value					0
As at 01.01.2017	889	3 360	2 999	2 541	9 789
Increase - purchase		88	79	413	580
Decrease - sale and liquidation		209	18	4	231
As at 30.06.2017	889	3 239	3 060	2 950	10 138
Redemption					0
As at 01.01.2017	454	1 954	1 623	1 636	5 667
Increase – amortization and depreciation	78	375	307	321	1 081
Decrease - sale and liquidation		20	17	2	39
As at 30.06.2017	532	2 309	1 913	1 955	6 709
Net as at 30.06.2017	357	930	1 147	995	3 429



5.12 Intangible assets

Intangible assets

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Software	2 646	3 199	1 119
Licenses	266	75	194
Other (software, expenditures on intangible assets)	2 994	2 933	3 405
Total	5 906	6 207	4 718
Advances payments relating to intangible assets	1 279	1 550	2 498
Total	7 185	7 757	7 216

Changes in intangible assets in the period from 01.01. to 30.06.2018

	Software	Licenses	Other	Total
Net opening balance	3 199	75	2 933	6 207
Gross value				
As at 01.01.2018	5 756	2 134	5 547	13 437
Increase - purchase	94	224	326	644
Decrease – sale and liquidation				0
As at 30.06.2018	5 850	2 358	5 873	14 081
Redemption				
As at 01.01.2018	2 557	2 059	2 614	7 230
Increases – amortization and depreciation	647	33	265	945
Decreases – sale and liquidation	0			0
As at 30.06.2018	3 204	2 092	2 879	8 175
Net, as at 30.06.2018	2 646	266	2 994	5 906

Changes in intangible assets in the period from 01.01. to 30.06.2017

	Software	Licenses	Other	Total
Net opening balance	961	311	3 454	4 726
Gross value				
As at 01.01.2017	3 105	2 134	5 681	10 920
Increase - purchase	302	2	256	560
Decrease – sale and liquidation			116	116
As at 30.06.2017	3 407	2 136	5 821	11 364
Redemption				
As at 01.01.2017	2 144	1 823	2 227	6 194
Increases – amortization and depreciation	144	119	189	452
Decreases – sale and liquidation	0			0
As at 30.06.2017	2 288	1 942	2 416	6 646
Net, as at 30.06.2017	1 119	194	3 405	4 718



5.13 Long-term receivables

Long-term receivables

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Trade receivables from other entities (including lease receivables)	7 164	6 262	6 720
Other receivables	100	95	103
Total	7 264	6 357	6 823

5.14 Inventories

Inventories

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Gross goods	23 061	9 580	16 447
Impairment loss	-324	-324	-324
Advance payments relating to deliveries	35	26	58
Inventories - TOTAL	22 772	9 281	16 181

The increase in the value of inventories is related to the purchases of goods on favorable terms for the needs of contracts which will be completed in the next quarter.

Inventory aging	up to 180 days	from 181 to 360 days	over 360 days	Total inventories
As at 30.06.2018	20 125	905	2 031	23 061
As at 30.06.2017	13 148	1 690	1 609	16 447

Inventories of value amounting to PLN 15.5 million were the collateral for the bank loan and an insurance guarantee (at the end of 2017 - PLN 12.5 million).



5.15 Short-term receivables

Short-term receivables

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Trade and other receivables	27 169	52 817	24 887
Tax receivables	314	426	327
Other receivables	18 200	18 298	17 048
Receivables claimed at court			
Impairment loss	-4 614	-4 605	-4 607
Total	41 069	66 936	37 655

Aging of trade receivables	up to 60 days	from 60 to 180 days	over 180 days	Total
As at 30.06.2018				
Due receivables				17 194
Past-due receivables	3 886	800	5 289	9 975
Total trade receivables (gross)				27 169
As at 30.06.2017				
Due receivables				16 770
Past-due receivables	2 232	369	5 516	8 117
Total trade receivables (gross)				24 887

The higher level of trade receivables at the end of the previous year results from the higher sales revenues generated in the last month of the previous year. The payment of receivables was made in the reporting period.

5.16 Cash

Cash

	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
Cash at hand			
Cash in banks	1 066	1 824	498
Short-term deposits			
Total	1 066	1 824	498



5.17 Long-term liabilities

Long-term liabilities as at the end of the reported first half of 2018 amount to PLN 22 060 thousand and include, apart from provisions for liabilities and deferred tax, lease liabilities in the amount of PLN 568 thousand and trade liabilities in the amount of PLN 15 992 thousand (as at the end of the comparable period all trade liabilities were presented as short-term). As at the end of 2017, the long-term liabilities amounted to PLN 22 003 thousand and covered apart from provisions for liabilities and deferred tax, lease liabilities in the amount of PLN 674 thousand and trade liabilities in the amount of PLN 15 857 thousand.

5.18 Borrowings and bank loans

The total debt of the Group related to borrowings and bank loans as at 30 June 2018 amounted to PLN 7.2 million as compared to 2.2 million as at the end of 2017. The increase in the level of debt in the reporting period was affected by the increase and use of the available limits by the Dominant Entity and by the subsidiary - ASI.

As at 30 June 2018, a Dominant Company had an overdraft with a limit of PLN 6.0 million available until the end of September 2018. As at the balance sheet day, the amount of PLN 5.7 million was used. On 27 September 2018, the credit agreement was extended for another year.

In the reporting period a Dominant Company was a party to an agreement concluded in 2017 Kyocera Document Solutions Europe B.V. in terms of financing the supplies in the amount of EUR 4.3 million with a collateral in the form of a surety granted by the majority shareholder (long-term trade liabilities).

As at 30 June 2018, a subsidiary company - Arcus Systemy Informatyczne had an overdraft with a limit of PLN 1.5 million and a repayment date (as per the annex signed on 28 May 2018) until 29 November 2018. As at the balance sheet date, the amount of PLN 98 thousand was used. On 28 May 2018, the Company entered into a working-capital credit facility agreement. The amount of credit is PLN 1.2 million while its purpose is to finance the current operations of the company (payable in 19 monthly installments from 30 June 2018 to 31 December 2019). As at the balance sheet date, the Company's liability under the mentioned credit facility amounted to PLN 1 137 thousand.

As at 30 June 2018, a subsidiary company – DocuSoft had an unused short-term credit with a limit of PLN 0.2 million.

As at 30 June 2018, a Dominant Entity had an insurance guarantee related to the dispute with EOP secured by a property guarantee granted by the majority shareholder.



In the reporting period, a Dominant Entity and other Group's companies were not granted any other, except for the aforementioned, material sureties, loans or guarantees, except for standard insurance guarantees, tendering security and performance guarantees which are related to tendering processes.

The Dominant Entity granted new loans to subsidiaries and associates for the total amount of PLN 1.5 million. The amount of PLN 0.2 million has been repaid.

5.19 Lease liabilities

Lease liabilities

	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
Payable within 1 year	1 688	2 352	2 533
Payable within 1 to 5 years	568	674	1 785
Payable within the period over 5 years	0	0	0
Total	2 256	3 026	4 318

The Group's companies use the finance lease for the purchases of printing and copying devices and cars.

5.20 Short-term liabilities

Short-term trade and other liabilities

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Trade liabilities	20 226	25 680	32 603
Tax and social security liabilities	2 986	10 518	3 142
Salaries and wages liabilities	1 396	2 499	643
Other (including lease liabilities)	3 765	3 752	3 849
Total	28 373	42 449	40 237

Aging of trade liabilities

	up to 60 days	from 60 to 180 days	over 180 days	Total
As at 30.06.2018				
Trade liabilities				19 177
Past-due liabilities	858	159	32	1 049



Trade liabilities - total				20 226
as at 30.06.2017				
Trade liabilities				32 020
Past-due liabilities	120	133	330	583
Trade liabilities - total				32 603

5.21 Provisions for liabilities

Changes in provisions for liabilities

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Opening balance	1 086	1 125	1 125
Recognition of a provision	72	421	3
Provision for warranty repairs	0		0
Provision for retirement benefits and leaves	30	421	3
Provision for other expected costs	42		
Use of provisions	5	408	6
Provision for warranty repairs	0	0	0
Provision for retirement benefits and leaves	0	408	0
Provision for other expected costs	5		6
Release of provisions	0	51	0
Provision for warranty repairs	0	0	0
Provision for retirement benefits and leaves	0	51	0
Closing balance	1 153	1 086	1 122

5.22 Receivables and liabilities in foreign currency

	Liabilities in PLN thousand		Receivables in PLN thousand	
	as at 30.06.2018	as at 31.12.2017	as at 30.06.2018	as at 31.12.2017
EUR	32 992	33 713	1 241	1 111
USD				
PLN	12 153	25 521	47 092	72 182
TOTAL	45 145	59 234	48 333	73 293



5.23 Dividends declared or paid

In the reporting period, the Issuer did not declare or pay the dividend for 2017. The subsidiary company - Arcus Systemy Informatyczne paid the dividend for 2016 for minority shareholders in the amount of PLN 367 thousand. Other Group's companies did not declare or pay dividends.

5.24 Significant events which occurred after the reporting period and were not reflected in the condensed consolidated financial statement

No such events were recognized apart from those described in the report hereof (see notes 5.18 and 5.25).

5.25 Changes in the structure of ARCUS S.A. Group during the reporting period

There were no changes in ARCUS S.A. Group's structure during the reporting period.

After the balance sheet day, Arcus Kazakhstan company was liquidated.

On 24 September 2018 an investment agreement was concluded between Arcus S.A., three natural persons and one legal entity, as a result of which Arcus S.A. took up shares in the increased share capital of Zeccer spółka z ograniczoną odpowiedzialnością (Limited Liability Company) with its registered office in Wrocław. As a result of the concluded agreement, the Issuer acquired 75 (seventy-five) new shares for the total amount of PLN 350,000 with a nominal value of PLN 50.00 each, accounting for 15% of the share capital of Zeccer Sp. z o.o. The investment agreement provides for the possibility of further capital involvement of Arcus S.A. The transaction is part of the strategy of expanding the offer of Arcus S.A. in the field of document management for the individual clients market (B2C) through a cooperation in the development of services related to the use of the Zeccer access application, prepared inter alia for mobile devices. This tool enables automatic printing with the use of printing and copying devices made available in public places. For two years now Arcus S.A. has been offering the above solution on the Polish market as Arcus Kyocera Zeccer.

5.26 Contingent liabilities

Contingent liabilities

	as at 30.06.2018	as at 31.12.2017	as at 30.06.2017
Bill of exchange liabilities, including issued for:	26 250	24 850	26 571
Bank as a credit collateral	10 137	9 000	9 000
Insurance companies in respect of performance bond *	14 738	14 803	13 934
Contractors in respect of performance bond	565	468	3 056
Bank guarantees	810	579	581

* including insurance guarantee for 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)



5.27 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 reporting period, 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 30.06.2018	As at 31.12.2017	As at 30.06.2017
Interest-bearing loans and borrowings	7 164	2 218	2 421
Trade and other liabilities	45 145	59 234	42 187
Less cash and cash equivalents	1 066	1 824	498
Net debt	51 243	59 628	44 110
Equity attributable to shareholders of a Dominant Entity	40 980	43 616	41 115
Net equity and debt	92 223	103 244	85 225

5.28 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 30.06.2018		As at 31.12.2017	
	Fair value	Carrying value	Fair value	Carrying value
FINANCIAL ASSETS				



Loans granted	462	462	452	452
Trade receivables and other receivables	48 333	48 333	73 293	73 293
Cash and cash equivalents	1 066	1 066	1 824	1 824
FINANCIAL LIABILITIES				
Credit liabilities	7 164	7 164	2 218	2 218
Trade liabilities and other liabilities	45 145	45 145	59 234	59 234

5.29 Transactions with associates

TRANSACTIONS WITH ASSOCIATES

	Sale	Acquisition	Receivables	Liabilities
Associate not subject to consolidation				
First half of 2018				
Michał Czeredys			203	
Piotr Golik	2	135		69
ADD Polska Sp. Z. o.o. S. komandytowa	485		510	
Marek Czeredys				329
Rafał Kręcisz	1		3	
Piotr Majewski		141		
Totak	488	276	716	398
First half of 2017				
Michał Czeredys			203	
Piotr Golik	1	180		
ADD Polska Sp. Z. o.o. S. komandytowa		8	201	
Rafał Kręcisz	1		2	
Marek Czeredys				314
Ricaline	3	3		1
Piotr Majewski		218		
Total	5	409	406	315

5.30 Disputes

In the report for 2017, the Issuer described in detail the course of the ongoing dispute with Energa Operator S.A. and the issue of a call for payment to Centrum Systemów Informacyjnych Ochrony Zdrowia ("Center of Information Systems for Healthcare") (a consortium with DecSoft S.A.).

After the balance sheet day a court settlement was reached between the Consortium of DecSoft S.A. and Arcus S.A. and the State Treasury - Centrum Systemów Informacyjnych Ochrony Zdrowia ("Center of Information Systems for Healthcare"). The provisions of the settlement put an end to the ongoing dispute and do not affect the financial statements and financial situation of Arcus S.A.



5.31 Factors that will affect the achieved results in the period of at least next quarter

In the opinion of the Management Board, the following factors will affect ARCUS S.A. Group's operations and financial results in the period of at least next quarter:

- acquiring contracts with budgetary units (tendering procedures),
- availability of EU funds,
- intensification of acquisition and implementation of projects in the area of printout outsourcing and equipment lease based on long-term contracts, with the use of Kyocera Mita and Pitney Bowes devices in B2B segment,
- implementation of the development strategy assuming the increase of the scope of the Group's operations in the area of ICT solutions and services with high added value - telematics and telemetry services provided by T-matic (solutions for transport management, remote media meters, including electricity meters),
- obtaining next projects by ARCUS Systemy Informatyczne – implementing the projects in the field of ICT (Information and Communication Technology) and ERP, including: integration and development of ICT systems, network security, unified communication,
- economic situation in Poland caused by the macroeconomic situation and geopolitical risks,
- potential reductions in interest rates, which may reduce the cost of lease and credit liabilities incurred,
- PLN exchange rate changes in relation to EURO.

The interim condensed consolidated financial statement hereof has been approved for publication and signed by the Management Board of a Dominant Entity on 28 September 2018. The condensed separate interim financial statement approved for publication and signed by the Management Board of a Dominant Entity on 28 September 2018, is published together with the interim condensed consolidated financial statement.

Warsaw, 28 September 2018

.....
Michał Czeredys
President of the
Management Board

.....
Rafał Czeredys
Member of the
Management Board

.....
Katarzyna Balcerowicz
CFO, Chief Accountant



6 Condensed separate financial statement of ARCUS S.A.

Separate financial statement of ARCUS S.A. prepared in accordance with the International Financial Reporting Standards.

6.1 Separate statement of ARCUS S.A. comprehensive income

Profit and loss account

	Note	01.01-30.06.2018	01.01-30.06.2017
Sales revenues	8.1	51 205	44 817
Costs of products, goods and materials sold	8.3	-37 202	-32 415
<u>Gross profit (loss) from sales</u>		<u>14 003</u>	<u>12 402</u>
Other operating income	8.4	218	214
Costs of sales	8.3	-10 660	-9 891
General administrative expenses	8.3	-3 836	-3 408
Other operating expenses	8.4	-52	-194
<u>Operating income (loss)</u>		<u>-327</u>	<u>-877</u>
Financial income	8.5	166	686
Financial costs	8.5	-1 482	-43
Result on financing activities		-1 316	643
<u>Profit (loss) before tax</u>		<u>-1 643</u>	<u>-234</u>
Income tax:		317	45
Current income tax			
Deferred income tax		317	45
<u>Net profit (loss)</u>		<u>-1 326</u>	<u>-189</u>
Profit (loss) per share		-0,18	-0,03
Ordinary and diluted		-0,18	-0,03

Statement of comprehensive income

	01.01-30.06.2018	01.01-30.06.2017
Net profit (loss) for the period	-1 326	-189
Items that may be classified to the financial result in the future:		
The total of the components of other comprehensive income	0	0
Comprehensive income for the period	-1 326	-189
Comprehensive income (loss) per share	-0,18	-0,03
Ordinary and diluted	-0,18	-0,03



6.2 Interim separate statement of financial position of ARCUS S.A.

Assets

	Note	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
FIXED ASSETS				
Tangible assets		2 264	2 248	2 646
Intangible assets		3 965	4 323	4 516
Participating interests in subordinated entities		29 895	29 895	19 495
Loans granted		4 977	3 585	5 773
Financial assets held to maturity	8.9	8 201	8 201	15 094
Long-term receivables		7 070	6 276	6 784
Deferred income tax assets		4 142	3 824	5 056
Total		60 514	58 352	59 364
CURRENT ASSETS				
Inventories		22 171	8 558	15 090
Loans granted		462	452	641
Trade receivables and other receivables		33 874	53 806	28 403
Cash		274	1 223	220
Total		56 781	64 039	44 354
TOTAL ASSETS		117 295	122 391	103 718

Liabilities

	Note	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
Equity				
Share capital	8.7	732	732	732
Share premium		38 024	38 024	38 024
Revaluation reserve		0	0	0
Retained earnings		27 499	28 825	24 562
Total		66 255	67 581	63 318
Long-term liabilities	8.10			
Deferred income tax reserve		3 992	3 976	3 714
Provisions for liabilities		322	337	429
Other long-term liabilities		16 477	16 385	1 602
Total		20 791	20 698	5 745
Short-term liabilities				
Trade liabilities and other liabilities		24 139	33 361	33 505
Other financial liabilities – credits	8.11	5 736	377	915
Provisions for liabilities		374	374	235
Total		30 249	34 112	34 655
TOTAL LIABILITIES		117 295	122 391	103 718



6.3 Interim statement of changes in ARCUS S.A. equity

For the period from 1 January
to 30 June 2018

	Share capital	Share premium	Retained earnings	Total
As at 1 January 2018	732	38 024	28 825	67 581
Net profit	-	-	1 326	1 326
Comprehensive income for the period	-	-	1 326	1 326
As at 30 June 2018	732	38 024	27 499	66 255

For the period from 1 January
to 31 December 2017

	Share capital	Share premium	Retained earnings	Total
As at 1 January 2017	732	38 024	24 751	63 507
Net profit/loss	-	-	4 074	4 074
Comprehensive income for the period	-	-	4 074	4 074
As at 31 December 2017	732	38 024	28 825	67 581

For the period from 1 January
to 30 June 2017

	Share capital	Share premium	Retained earnings	Total
As at 1 January 2017	732	38 024	24 751	63 508
Net profit	-	-	189	189
Comprehensive income for the period	-	-	189	189
As at 30 June 2017	732	38 024	24 562	63 318



6.4 Interim separate statement of ARCUS S.A. cash flows

	<u>01.01-30.06.2018</u>	<u>01.01-30.06.2017</u>
Cash flows from operating activities		
Profit before tax	-1 643	-234
Adjustments	-2 671	3 736
Depreciation and amortisation	935	848
Interests	-51	-30
Result on investing activities	-94	108
Change in inventories	-13 612	-5 739
Change in receivables	19 139	13 805
Change in liabilities and reserves	-8 988	-5 256
<u>Total</u>	<u>-4 314</u>	<u>3 502</u>
Cash flows from investing activities		
Inflows	445	154
Disposal of intangible and tangible fixed assets	246	154
Repayment of loans	199	
Outflows	-2 254	-1 919
Purchases of intangible and fixed tangible assets	-745	-868
Loans granted	-1 509	-1 051
<u>Total</u>	<u>-1 809</u>	<u>-1 765</u>
Cash flow from financing activities		
Inflows	5 363	1
Borrowings and bank credits	5 360	-
Interests received	3	1
Outflows	-189	-2 049
Repayment of credits and loans		-1 792
Financial lease payments	-142	-214
Interests paid	-47	-43
<u>Total</u>	<u>5 174</u>	<u>-2 048</u>
Change in cash	-949	-311
Cash at the beginning of the period	1 223	531
Cash at the end of the period	274	220



7 Information on the rules adopted for the purpose of preparation of the interim condensed separate financial statement for the first half of 2018

7.1 Basis for preparing the financial statement

Presented financial statement has been prepared for the period ended 30 June 2018. The comparative data cover the period from 1 January to 30 June 2017. The Company's financial year is the calendar year. The financial statement has been prepared based on the assumption that the Company 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 business operations. No operations were discontinued in the reporting period. The presented financial statement has been prepared in accordance with the requirements of IAS 34 "Interim financial reporting".

7.2 Accounting principles

The accounting principles and calculation methods adopted for the preparation of the financial statement hereof are consistent with the principles described in the approved financial statement of Arcus S.A. prepared in accordance with IFRS for the year ended 31 December 2017 and new standards effective from 1 January 2018:

- IFRS 9 "Financial Instruments" published on 24 July 2014, approved on 22 November 2016, effective for annual periods beginning on 1 January 2018,
- IFRS 15 "Revenues from contracts with customers" was published on 28 May 2014, approved on 22 September 2016, effective for annual periods beginning on or after 1 January 2018.

The Company decided that the above standards do not have a material impact on the accounting policy applied by the Company. Nevertheless, the analyzes carried out by the Company will be subject to verification by the auditor during the review.

7.3 New standards and interpretations not yet adopted by the Company

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

- amendments to IFRS 16 in terms of leases – approved by the EU on 31 October 2017, effective for annual periods beginning on or after 1 January 2019,
- 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. However, the European Commission decided not to start the approval process of this provisional standard until the final version of IFRS 14 is issued,
- 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 was postponed until the



completion of research on the equity method);

- Amendments to IAS 12 "Recognition of deferred income assets for unrealized losses" - effective for annual periods beginning on or after 1 January 2019; until the date of publication of this financial statement not approved by the EU.

The Company 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, the above-mentioned standards and interpretations will not have a significant impact on the accounting policy applied so far by the Company.

7.4 Declared or paid dividends

The Company did not declare the payment of dividend for the year 2017.



8 Additional explanatory notes

8.1 Sales revenues

The tables below present the functional and geographical structure of sales revenues of Arcus S.A.

Sales revenues (PLN thousand)

	01.01-30.06.2018	01.01-30.06.2017
Domestic sales	50 880	43 482
Foreign sales	325	1 335
<u>Total</u>	<u>51 205</u>	<u>44 817</u>

Sales revenues (PLN thousand)

	01.01-30.06.2018	01.01-30.06.2017
Revenues from sales of services	12 841	12 387
Revenues from sales of goods	38 364	32 430
<u>Total</u>	<u>51 205</u>	<u>44 817</u>

8.2 Operating segment

Business operations of ARCUS S.A. were divided into two business segments for presentation purposes:

- **IT segment** - covering sales and leasing of copying devices and equipment for mail and document lifecycle management (office solutions), hardware and electronics,
- **Services segment** - covering after-sales services, repair services as well as integration services for ICT solutions (information and telecommunications technologies) and ERP implementations.

The operations of Telematics and Telemetry segments have been transferred to subsidiary companies.

Financial revenues and costs as well as taxes are not disclosed by segments, as these values are monitored at the Company level and are not reported to decision makers at the segment level. Unassigned assets include shares in subsidiaries, assets held for sale, deferred tax assets and cash. Unassigned liabilities include equity, loans and a provision for income tax.

Changes in the level of revenues by operating segments are discussed in the section presenting the consolidated data.



Consolidated financial statement of Arcus S.A. for the period from 1 January to 30 June 2018

Data for the period from 01.01 to 30.06.2018	IT Segment	Telematics Segment	Other Services Segment	Total
Revenues	41 579		9 626	51 205
Sales to external clients	41 579		9 626	51 205
Total segment's revenues	41 579		9 626	51 205
Segment's result	5 073		-2 075	2 998
Unassigned costs	-	-	-	-3 325
Profit on operating activities	-	-	-	-327
Net financial revenues	-	-	-	-1 317
Profit before tax	-	-	-	-1 644
Income tax	-	-	-	317
Net profit for the financial year	-	-	-	-1 327
Assets and liabilities				
Segment's assets	67 383		15 599	82 982
Unassigned assets	-	-	-	34 312
Total assets	-	-	-	117 294
Segment's liabilities	33 558		7 769	41 327
Unassigned liabilities	-	-	-	75 967
Total liabilities	-	-	-	117 294

Data for the period from 01.01 to 30.06.2017	IT Segment	Telematics Segment	Other Services Segment	Total
Revenues	35 633	41	9 143	44 817
Sales to external clients	35 633	41	9 143	44 817
Total segment's revenues	35 633	41	9 143	44 817
Segment's result	3 230	8	-743	2 495
Unassigned costs	-	-	-	-3 372
Profit on operating activities	-	-	-	-877
Net financial revenues	-	-	-	643
Profit before tax	-	-	-	-234
Income tax	-	-	-	45
Net profit for the financial year	-	-	-	-189
Assets and liabilities				
Segment's assets	34 253	197	13 260	77 709
Unassigned assets	-	-	-	24 131
Total assets	-	-	-	101 841
Segment's liabilities	21 444	66	4 425	25 935
Unassigned liabilities	-	-	-	75 906
Total liabilities	-	-	-	101 841



8.3 Costs by nature

Costs by nature (PLN thousand)

	01.01-30.06.2018	01.01-30.06.2017
Consumption of materials and energy	7 457	6 467
Third-party services	7 134	6 066
Taxes and fees	529	618
Remunerations and employee benefits	7 770	7 915
Amortisation and depreciation	935	848
Other sundry expenses	725	511
Value of goods sold	27 147	23 289
<u>Total</u>	<u>51 697</u>	<u>45 714</u>
Sales costs	10 660	9 891
General and administrative costs	3 836	3 408
Direct cost of sales	37 202	32 415

8.4 Other operating revenues and costs

Other operating revenues (PLN thousand)

	01.01-30.06.2018	01.01-30.06.2017
Profit from the sales of fixed assets	94	
Subsidies received		75
Other	124	139
<u>Total</u>	<u>218</u>	<u>214</u>

Other operating costs (PLN thousand)

	01.01-30.06.2018	01.01-30.06.2017
Loss on disposal of fixed assets		108
Repair costs of insured property	39	41
Other	13	45
<u>Total</u>	<u>52</u>	<u>194</u>



8.5 Financial revenues and costs

Financial revenues (PLN thousand)

	01.01-30.06.2018	01.01-30.06.2017
Interests on bank deposits	1	5
Interests on loans granted	71	69
Other - including foreign exchange gains	94	612
<u>Total</u>	<u>166</u>	<u>686</u>

Financial costs (PLN thousand)

	01.01-30.06.2018	01.01-30.06.2017
Interests	47	43
Other - including foreign exchange losses	1 435	
<u>Total</u>	<u>1 482</u>	<u>43</u>

8.6 Issue, redemption and repayment of debt and equity securities

In the period covered by the report hereof, no issue, redemption or repayment of debt securities was carried out.

8.7 Share capital

The share capital of ARCUS S.A. currently amounts to PLN 732 000 and is divided into 7 320 000 bearer ordinary shares of the Company (previously A, B and C-series shares; currently D-series shares) with a nominal value of PLN 0.10 each entitling to 7 320 000 votes. All shares are admitted to trading on the Warsaw Stock Exchange. Shareholders of a Dominant Entity - ARCUS S.A. holding directly or indirectly at least 5% of the total number of votes at the Company's General Meeting (according to the Company's knowledge) as at the day of disclosing the report hereof.

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%
<u>TOTAL</u>	<u>7 320 000</u>	<u>732 000.00</u>	<u>100.0%</u>

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



8.8 Loans granted to Group's companies

Loans granted to Group's companies

	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
Loans granted	4 164	2 864	5 113
<i>including long-term</i>	4 164	2 864	5 113
Interests on loans granted	813	731	660
Total	4 977	3 595	5 773
<i>including granted to:</i>			
T-matic Systems	669	516	3 124
DocuSoft	1 115	1 092	1 070
Duraui	2 064	1 863	1 579
ASI	1 129	114	

The loans granted to entities which are not the Company's associates and are not consolidated, are recognized in the item "Loans granted", in current assets.

8.9 Held-to-maturity financial assets

Four-year, zero-coupon bonds issued by T-matic Systems on 30 June 2016 were recognized in held-to-maturity financial assets (fixed assets). The issue value of bonds was PLN 15,094 million. In 2017 an early redemption of a part of bonds occurred (settled with the transaction of acquisition of shares in Geotik). The issue value of bonds remaining after the redemption is PLN 8.2 million. As a rule, bonds are valued at amortized cost, but to accrued interest a prudent approach was applied and, as a result, they were not recognized in assets.

8.10 Long-term liabilities

Long-term liabilities as at the end of the reported first half of 2018 amount to PLN 20 790 thousand and include, apart from provisions for liabilities and deferred tax, lease liabilities in the amount of PLN 485 thousand and long-term trade liabilities in the amount of PLN 15 992 thousand. As at 30 June 2017, the long-term liabilities amounted to PLN 5 745 thousand and covered apart from provisions for liabilities and deferred tax, lease liabilities in the amount of PLN 1 537 thousand. All trade liabilities were presented as short-term.



8.11 Borrowings and bank loans

As at 30 June 2018, a Dominant Company had an overdraft with a limit of PLN 6.0 million available until the end of September 2018. As at the balance sheet day, the amount of PLN 5.7 million was used. On 27 September 2018, the credit agreement was extended for another year.

In the reporting period a Dominant Company was a party to an agreement concluded in 2017 Kyocera Document Solutions Europe B.V. in terms of on financing the supplies in the amount of EUR 4.3 million with a collateral in the form of a surety granted by the majority shareholder.

As at 30 June 2018, a Dominant Entity had an insurance guarantee related to the dispute with EOP secured by a property guarantee granted by the majority shareholder.

In the reporting period, the Company was not granted any other, except for the aforementioned, material sureties, loans or guarantees, except for standard insurance guarantees, tendering security and performance guarantees which are related to tendering processes.

The Company granted new loans to subsidiaries and associates for the total amount of PLN 1.1 million.

8.12 Lease liabilities

Lease liabilities

	30.06.2018	31.12.2017	30.06.2018
Payable within 1 year	1 541	2 166	2 335
Payable within 1 to 5 years	485	527	1 537
Payable within the period over 5 years	0	0	0
Total	2 026	2 693	3 872

8.13 Changes in contingent liabilities or contingent assets

Contingent liabilities (PLN thousand)

	30.06.2018	31.12.2017	30.06.2017
Bill of exchange liabilities, including issued for:	21 826	21 893	20 015
Bank as a credit collateral	7 500	7 500	7 500
Insurance companies in respect of performance bond *	13 734	13 434	11 934
Insurance companies in respect of payment of security	0	380	0
Bank guarantees	592	579	581

* including insurance guarantee for 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)



8.14 Transactions with associates

Transactions with associates (PLN thousand)

	Sale	Purchase	Receivables	Liabilities
Associate				
First half of 2018				
T-Matic Systems	93	17	659	
DocuSoft		44	55	
Durau	7	17	4	
ASI	328	1 107	76	
Geotik	130	9	149	1
Michał Czeredys			203	
Receivables in respect of T-Matic Systems bonds			8 991	
Loan granted to T-Matic Systems			669	
Loan granted to DocuSoft			1 115	
Loan granted to Durau			2 064	
Loan granted to ADD Polska			1 129	
First half of 2017				
T-Matic Systems	98	2	444	
DocuSoft	45	110	55	45
Durau	8	17	11	
ASI	522	568	146	195
Geotik	171	18	62	2
Michał Czeredys			203	
Receivables in respect of T-Matic Systems bonds			15 094	
Loan granted to T-Matic Systems			3 124	
Loan granted to DocuSoft			1 070	
Loan granted to Durau			1 579	
Loan granted to ADD Polska			200	

8.15 Disputes

In the report for 2017, the Company described in detail the course of the ongoing dispute with Energa Operator S.A. and the issue of a call for payment to Centrum Systemów Informacyjnych Ochrony Zdrowia ("Center of Information Systems for Healthcare") (a consortium with DecSoft S.A.).

After the balance sheet day a court settlement was reached between the Consortium of DecSoft S.A. and Arcus S.A. and the State Treasury - Centrum Systemów Informacyjnych Ochrony Zdrowia ("Center of Information Systems for Healthcare"). The provisions of the settlement put an end to the ongoing dispute and do not affect the financial statements and financial situation of Arcus S.A.



The interim condensed separate financial statement hereof has been approved for publication and signed by the Management Board on 28 September 2018.

Warsaw, 28 September 2018

.....
Michał Czeredys
President of the
Management Board

.....
Rafał Czeredys
Member of the
Management Board

.....
Katarzyna Balcerowicz
CFO, Chief Accountant



Consolidated financial statement of Arcus S.A. for the period from 1 January to 30 June 2018

SEMI-ANNUAL REPORT
ON BUSINESS ACTIVITIES OF ARCUS S.A.
GROUP IN THE FIRST HALF OF 2018



1 SEMI-ANNUAL REPORT ON BUSINESS ACTIVITIES OF ARCUS S.A. GROUP IN THE FIRST HALF OF 2018

1.1 Composition of the Capital Group

As at 30 June 2018 and as at the date of financial statement hereof preparation, ARCUS S.A. Group (hereinafter “the Group” or “ARCUS Group”) is composed of the following entities:

- ARCUS SA as a dominant entity
- Subsidiary undertaking - Arcus Systemy Informatyczne Sp. z o.o. in which ARCUS S.A. holds 53% of shares,
- Subsidiary undertaking - T-matic Systems SA in which ARCUS S.A. holds 74.73% of shares,
- Subsidiary undertaking - Geotik Sp. z o.o. in which ARCUS S.A. holds 66.7% of shares,
- Subsidiary undertaking – Docusoft Sp. z o.o. in which ARCUS S.A. holds 86.96% of shares,
- Subsidiary undertaking – Durau Sp. z o.o. (84.1%) and its subsidiary undertaking - LMT Sp. z o.o. incorporated in 2016,
- Arcus Kazachstan – non-operating company,
- Zeccer Sp. z o.o. – shares (15%) acquired after the balance sheet date.

ARCUS SA - dominant entity with its registered office in Warsaw at 5/7 Kolejowa Street, registered with 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 mass mailings 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 with the District Court for the City of Lublin-Wschód with its registered office 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. is a non-operating company.

T-matic Systems SA („T-matic”) with its registered office in Warsaw at 5/7 Kolejowa Street, registered with 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 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 with 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 with 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 with 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 Kazakhstan Sp. z o.o. with its registered office in Astana. Arcus Kazakhstan Sp. z o.o. was a non-operating company and was liquidated after the balance sheet date.

Zeccer Sp. z o.o. – entity acquired after the balance sheet date - with its registered office in Wrocław, registered with the District Court for the City of Wrocław, Commercial Division of the National Court Register under the number KRS 0000425365. The company offers document management services on the retail market.

2 Changes in the structure of the Group and a Dominant Entity

After the balance sheet day, Arcus Kazakhstan - a non-operating company was liquidated.

On 24 September 2018 an investment agreement was concluded between Arcus S.A., three natural persons and one legal entity, as a result of which Arcus S.A. took up shares in the increased share capital of Zeccer spółka z ograniczoną odpowiedzialnością (Limited Liability Company) with its registered office in Wrocław. As a result of the concluded agreement, the Issuer acquired 75 (seventy-five) new shares for the total amount of PLN 350,000 with a nominal value of PLN 50.00 each, accounting for 15% of the share capital of Zeccer Sp. z o.o. The investment agreement provides for the possibility of further capital involvement of Arcus S.A. The transaction is part of the strategy of expanding the offer of Arcus S.A. in the field of document management for the individual clients market (B2C) through a cooperation in the development of services related to the use of the Zeccer access application, prepared inter alia for mobile devices. This tool enables automatic printing with the use of printing and copying devices made available in public places. For two years now Arcus S.A. has been offering the above solution on the Polish market as Arcus Kyocera Zeccer (current report no 16/2018).

3 Financial projections

The Management Board of ARCUS S.A. did not disclose the financial projections of ARCUS S.A. Group and a Dominant Entity for the year 2018.

4 Share capital and Shareholders holding at least 5% of votes at the General Meeting of Shareholders

The share capital of ARCUS S.A. currently amounts to PLN 732 000 and is divided into 7 320 000 bearer ordinary shares of the Company (previously A, B and C-series shares; currently D-series shares) with a nominal value of PLN 0.10 each entitling to 7 320 000 votes. All shares are admitted to trading on the Warsaw Stock Exchange. Shareholders of a Dominant Entity - ARCUS S.A. holding directly or indirectly at least 5% of the total number of votes at the Company's General Meeting (according to the Company's knowledge) as at the day of disclosing the report hereof.



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%
<u>TOTAL</u>	<u>7 320 000</u>	<u>732 000,00</u>	<u>100,0%</u>

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

The company has no information on the occurrence of any significant changes in the shareholding structure in the period between the date of publication of the previous quarterly report and the date of disclosing the report hereof.

5 Shares held by the managing and supervisory persons

To the best of the Company's knowledge, members of the Supervisory Board and members of the Management Board did not hold the shares of ARCUS S.A. as at 30 June 2018 and as at the date of this interim report, except for shares controlled by MMR Invest SA.

6 Proceedings pending before the court, a respective body for arbitration proceedings or a public administration body

In the report for 2017, the Issuer described the course of the ongoing dispute with Energa Operator S.A. and the issue of a call for payment to Centrum Systemów Informacyjnych Ochrony Zdrowia ("Center of Information Systems for Healthcare") (a consortium with DecSoft S.A.).

After the balance sheet day a court settlement was reached between the Consortium of DecSoft S.A. and Arcus S.A. and the State Treasury - Centrum Systemów Informacyjnych Ochrony Zdrowia ("Center of Information Systems for Healthcare"). The provisions of the settlement put an end to the ongoing dispute and do not affect the financial statements and financial situation of Arcus S.A. (current report no 15/2018).

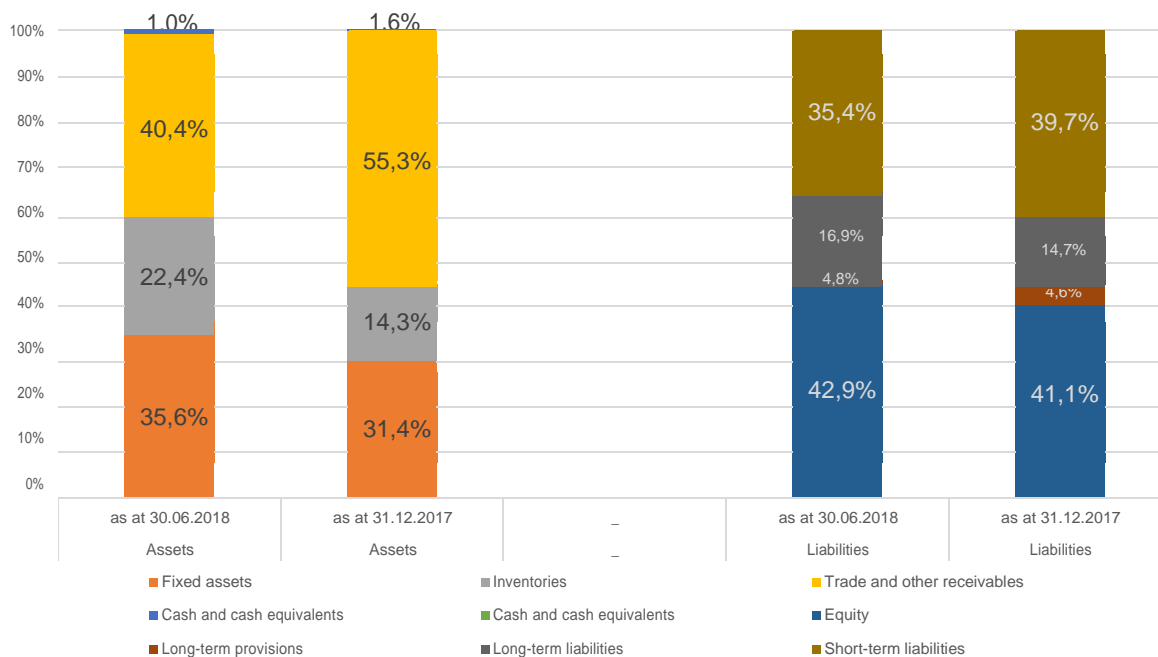
7 Sureties, bank loans or borrowings and guarantees

In the first half of 2018, the Group's companies did not grant sureties, loans or guarantees which total amount for an individual entity would exceed 10% of the Issuer's equity.



8 Other information which, in the opinion of the Group, is significant for the assessment of its personnel, property and financial situation, financial result and their changes, as well as information that is significant for the assessment of the issuer's ability to meet its obligations

As at 30 June 2018, the balance sheet total of ARCUS S.A. Group amounted to PLN 101 564 thousand and was lower than the amount reported as at 31 December 2017 by PLN 12 814 thousand (11.2%). The current assets with a value of PLN 66 369 thousand (64.4% share in the total assets) were the largest item on the balance sheet. The main component of the Group's current assets were receivables amounting to PLN 41 069 thousand and inventories with value of PLN 22 772 thousand. The value of inventories increased in relation to the corresponding period of 2017 and the end of 2017 due to the necessity to stock up for the purposes of contracts implementation, including in connection with the increase in the sales volume of toners. Cash in the amount of PLN 1 066 thousand accounted for 1% of the total assets. Fixed assets, due to the specific nature of performed operations, remained at a level similar to the one generated as at the end of 2017. Financing of the operations of Arcus Group in the first half of 2018 was still based on equity and third-party equity in the form of bank loans and trade credit. As at 30 June 2018, equity amounted to PLN 43 534 thousand compared to PLN 46 963 thousand as at the end of 2017 (-7.3%). The share of equity in the balance sheet total increased from 41.1% at the end of 2017 to 42.9% at the end of the reporting period. The amount of liabilities in relation to end of 2017 decreased by PLN 9 075 thousand to the amount of PLN 53 122 thousand.





The table below presents selected semi-annual data from the statement of financial position of ARCUS Group at the end of the reporting period and the comparable period.

Selected balance sheet items						
	As at 30.06.2018	Share% 30.06.2018	As at 31.12.2017	Share% 31.12.2017	Change	change %
Fixed assets	36 195	35,6%	35 885	31,4%	310	0,86%
Current assets	65 369	64,4%	78 493	68,6%	-13 124	-16,72%
Inventories	22 772	22,4%	16 352	14,3%	6 420	39,26%
Trade and other receivables	41 069	40,4%	66 936	58,5%	-25 867	-38,64%
Cash and cash equivalents	1 066	1,0%	1 824	1,6%	-758	-41,56%
Total assets	101 564	100,0%	114 378	100,0%	-12 814	-11,20%
Equity	43 534	42,9%	46 963	41,1%	-3 429	-7,30%
Long-term provisions	4 908	4,8%	5 218	4,6%	-310	-5,94%
Liabilities	53 122	52,3%	62 197	54,4%	-9 075	-14,59%
- long-term	17 152	16,9%	16 785	14,7%	367	2,19%
- short-term	35 970	35,4%	45 412	39,7%	-9 442	-20,79%
* trade and other	28 373	27,9%	42 449	37,1%	-14 076	-33,16%
Total liabilities	101 564	100,0%	114 378	100,0%	-12 814	-11,20%

8.1 Employment

There were 227 employees at ARCUS Group as at the end of the reporting period and 239 as at the end of the comparable period.

9 Factors and events, particularly non-recurring ones, having a material impact on the generated financial results

No non-recurring factors and events were recognized in the reporting period.



10 Factors that will affect the achieved results in the period of at least next quarter

In the opinion of the Management Board, the following factors will affect the operations and financial results in the period of at least next quarter:

- intensification of acquisition and implementation of projects in the area of printout outsourcing and equipment lease based on long-term contracts, with the use of Kyocera Mita and Pitney Bowes devices in B2B segment,
- implementation of actions limiting the supply of illegal toners on the EU market and restoring commercial opportunities for the sale of toners,
- implementation of the development strategy assuming the increase of the scope of the Group's operations in the area of ICT solutions and services with high added value,
- obtaining next projects by ARCUS Systemy Informatyczne – implementing the projects in the field of ICT (Information and Communication Technology) and ERP, including: integration and development of ICT systems, network security, unified communication,
- economic situation in Poland caused by the macroeconomic situation and geopolitical risks,
- potential reductions in interest rates, which may reduce the cost of lease and credit liabilities incurred,
- PLN exchange rate changes in relation to EURO,
- acquiring contracts with budgetary units (tendering procedures).

11 Risk factors and threats related to the Group's operations

The activities of the Group's companies are subject to many factors, both external and internal, which may have a significant impact on the financial position. Among the most important risk factors, the following shall be listed:

- risk associated with general macroeconomic situation resulting from the fact that the demand for products offered by the Company is associated with economic growth rate, which affects the Company's clients' willingness to invest in offered products and services,
- lack of effects of activities aimed at limiting the supply of illegal consumables on the EU market and reduction of commercial opportunities in these terms,
- risk associated with technological changes in the sector and the development of new technologies, and thus relatively short lifecycle of IT solutions, equipment and technology and associated need for constant monitoring of technological changes and adapting the portfolio of products to the market expectations,
- risk related to the implementation or postponement of significant orders resulting from the public procurement procedure,
- risk associated with performance of business operations in a market niche (mailings and document lifecycle management) and risk of potential competitors,
- risk associated with dependence on suppliers arising from the fact that part of the system solutions offered by the Issuer are based on the technological platforms supplied by third parties, and thus the sales of goods from external suppliers is the core source of Group's revenues,
- risk associated with dependence on clients resulting from the fact that the Group sells part of offered solutions to a relatively narrow group of clients whose activities are related to the processing of significant quantities of documents or correspondence,
- risk related to the loss of key employees. In the case of the Group, where the intellectual capital of the management and employees is a significant asset, the loss of key employees may negatively affect the efficiency of operations,



- exchange rate risk associated with volatility on global financial markets, resulting in the fact that the Group as an importer in the EUR and USD zones, is exposed to potentially higher than projected costs of purchase of goods (in the case of PLN depreciation) or lower revenues denominated in foreign currencies (in the case of PLN appreciation). Particularly in the case of contracts executed in public sector prices are denominated in the Polish currency and are not subject to renegotiation in terms of the prices,
- risk associated with the loss/reduction of the level of external financing and the risk of increased costs of financing.

The manner of risk management performance, including financial risk management, applied by the ARCUS Group's companies, are consistent with the principles set out in the Group's financial statement for the year 2015.

12 Capital management

Capital management is aimed at preserving the ability to continue operations and implement investments so that it is possible to generate the desired return for shareholders. The equity-to-the balance sheet total ratio as well as debt, loans and financial lease-to-EBITDA ratios are monitored on an ongoing basis.

CAPITAL MANAGEMENT

	As at 30.06.2018	As at 31.12.2017	As at 30.06.2017
Interest-bearing loans and borrowings	7 164	2 218	2 421
Trade and other liabilities	45 145	59 234	42 187
Less cash and cash equivalents	1 066	1 824	498
Net debt	51 243	59 628	44 110
Equity attributable to shareholders of a Dominant Entity	40 980	43 616	41 115
Net equity and debt	92 223	103 244	85 225



13 Statements of the Management Board

The Management Board of ARCUS S.A. hereby declares that:

- Doradca Auditors Sp. z o.o. (Limited Liability Company) with its registered office at 12 Grunwaldzka Street, reviewing the semi-annual condensed consolidated financial statement of ARCUS S.A. Group and semi-annual condensed separate financial statement of ARCUS S.A. for the first half of 2018, has been selected in accordance with the applicable laws.
- Doradca Auditors Sp. z o.o. (Limited Liability Company) and its statutory auditors who reviewed the condensed consolidated financial statement and condensed separate financial statement for the first half of 2018 met the conditions for issuing an impartial and independent report on the review of the semi-annual consolidated and separate financial statements, in accordance with applicable regulations and professional standards.
- To the best of its knowledge, the semi-annual condensed consolidated financial statement and comparable data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and transparent manner the financial position of the Issuer's Group and its financial result. Semi-annual report on the business activities of ARCUS S.A. Group contains a true presentation of the development, achievements and situation of ARCUS S.A. Group, including a description of the main threats and risks.

This report on business activities relates to the consolidated financial statement and the separate financial statement.

This interim semi-annual report on business activities of ARCUS S.A. Group has been approved for publication and signed by the Management Board of a Dominant Entity on 28 September 2018. The condensed separate interim financial statement approved for publication and signed by the Management Board of a Dominant Entity on 28 September 2018, is published together with the interim condensed consolidated financial statement.

Warsaw, 28 September 2018

.....
Michał Czeredys

President of the Management Board

.....
Rafał Czeredys

Member of the Management Board