

Date of issue: 30 May 2019

Current report no 10/2019

Supervisory Board's reports to be presented at the Ordinary General Meeting of ARCUS S.A. Shareholders

Legal basis: Article 56(1) point 2 of the Act on Public Offering – Current and Periodic Information

Content of the report:

In addition to current report No 9/2019 of 30 May 2019, the Management Board of ARCUS S.A. ('the Company') hereby discloses the content of ARCUS S.A. Supervisory Board's reports which will be discussed at the Ordinary General Meeting of Shareholders convened for 27 June 2019.

SIGNATURES OF PERSONS REPRESENTING THE COMPANY:

Rafał Czeredys – Member of the Management Board

Supervisory Board's assessment of the position of ARCUS S.A. in 2018

The Supervisory Board of ARCUS S.A. with its registered office in Warsaw (**the Company**), in accordance with the corporate governance rules set forth in the document: 'Best Practice of WSE Listed Companies', hereby discloses the report on the assessment of the position of the Company in 2018 carried out by the Company's Supervisory Board.

In the financial year 2018, the Supervisory Board of ARCUS S.A. monitored the activities of the Company on an ongoing basis and performed periodic reviews and evaluations of the Company's strategy implementation, including in the following areas:

- a) monitoring and analysis of the financial and organizational situation of the Company and ARCUS S.A. Group,
- b) assessment of the implementation of the Company's strategy by the Management Board,
- c) setting business goals for Members of the Management Board and assessment of their implementation,
- d) getting acquainted with the activities of selected business areas of the Company and the Group,
- e) supervision over the internal control system and system governing the management of risks significant for the Company and the Group,
- f) assessment and approval of the financial statements of the Company and the Group,
- g) legal status of the dispute with Energa Operator S.A.

The detailed scope of activities and resolutions adopted by the Supervisory Board in 2018 is included in the minutes of the Supervisory Board meetings which are kept at the Company's registered office in Warsaw.

In the period covered by the financial statement, the Supervisory Board monitored the present situation of the Company and gave its opinion on the current and planned activities of ARCUS S.A. In particular, the Supervisory Board reviewed the quarterly, semi-annual and annual financial statements of ARCUS S.A. and ARCUS Group. After publication of the financial statements, meetings of the Supervisory Board were held at which the Supervisory Board reviewed the financial results and current business operations of the Company and analysed the scope, reliability, correctness and transparency of data (including financial data) presented by the Company. The Supervisory Board reviewed thoroughly the financial situation of individual companies being part of the Group. The Management Board of the Company provided the Supervisory Board with an access to sources of information and documents in this respect, as well as prepared appropriate presentations and provided necessary explanations in terms of financial situation and the projects implemented by the Company. The Supervisory Board also became familiar with the organisational structure of the Company and issued recommendations for its improvement. The Supervisory Board also reviewed the investments being implemented by the Company and issued related approvals. The Supervisory Board, through the Audit Committee, also held a meeting with representatives of the entity authorised to audit and review financial statements of ARCUS S.A. and ARCUS Group.

According to the Supervisory Board, the accounting methods adopted by the Company and the Group were applied in accordance with the relevant legal regulations. In the opinion of the Supervisory Board, the cooperation with the Management Board of ARCUS S.A. was unreserved and the Management Board presented the required information in a reliable, correct and clear manner.

On the basis of the financial statements presented by the Management Board, the report of the independent auditor on the audit of the financial statement, the Supervisory Board presents below the assessment of ARCUS S.A. position in 2018.

In 2018, the Company generated the sales revenues in the amount of PLN 114.7 million which marked an increase of PLN 0.8 million (0.7%) as compared to the corresponding period last year. Gross profit on sales amounted to PLN 31.7 million which represents an increase by PLN 1.5 million (4%) comparing to preceding year. The achieved gross margin on sales in 2018 amounted to 27.6% marking a growth of 1.1 pp compared to previous year. In 2018, the Company reported a positive financial result on operations in the amount of PLN 3.5 million, positive gross financial result in the amount of PLN 2.2 million and a net profit of PLN 1.7 million.

In terms of balance sheet data, the balance sheet total decreased by PLN 19 million (15.6%). On the assets side, a decrease in fixed assets by PLN 10.9 million (17%) was recorded. Current assets decreased by PLN 8.2 million (12%) as a result of a decrease in receivables by PLN 11.2 million (20%).

On the liabilities side, a decrease in equity by PLN 16.7 million (24%) was recorded which primarily arises from the adjustment of equity by the value of net assets associated with T-matic Systems S.A. in connection with the planned merger of both entities. There has been a decrease in long-term liabilities by the amount of PLN 2.4 million and a decrease in short-term trade and other liabilities from the level of PLN 34.1 million in 2017 to PLN 32.6 million in 2018, which marked a decrease by PLN 1.5 million (4%). The short-term debt increased by PLN 3.7 million (from PLN 0.4 million in 2017 to PLN 4.1 million in 2018).

After reviewing the Company's annual financial statement and the Management Board's report on the Company's activities in 2018, the Supervisory Board of the Company states that the assumptions for the year 2018 have been implemented. The Company's situation did not deteriorate, which was a result of the development of the company in its core specialization while implementing the policy of diversification of activities. The positive financial result generated in 2018 and the increase in the sales margin is one of the most important areas of interest and assessment within the development policy of Arcus Group.

According to the cash flow statement for the year 2018, the Company closed the year with a negative change in cash.

In the reporting period, the Supervisory Board – within its competences – complied with corporate governance rules applicable to joint stock companies listed on the stock exchange and set forth in the Document: 'Best Practice of WSE Listed Companies'. The Supervisory Board executed its activities in accordance with the Rules of the Supervisory Board available on ARCUS S.A. website.

Throughout 2018, the Audit Committee operated, which on behalf of the Supervisory Board exercised permanent supervision over the Company's internal control and risk management systems. Members of the Supervisory Board were provided by the Audit Committee with the regular and comprehensive information on all important matters concerning the business operations, risks associated with these operations and on methods of mentioned risks management.

In terms of financial statements preparation, the internal control in the Company is exercised through the activities carried out jointly by the President of the Management Board (who supervises the financial and accounting policies of the Company) and the Financial Director (performing the functions of a Chief Accountant). The internal control system applied by the Company is aimed at:

- ensuring the correctness of the accounting documents entered into the financial and accounting systems of the Company,
- limiting an access to the system (which is associated with granted authorizations),
- adjusting the system to applied internal control procedures (with the consideration of their influence on the correctness of collected data).

Additionally, the Company applies a multi-level acceptance system for cost invoices, aimed at preventing the erroneous classification of invoices and the distortion of the financial result of the Company. The system for the control of current balances applied by the Company within the internal control processes, is aimed at preventing erroneous recognition of given items in the balance sheet. Both the semi-annual and annual financial statements, in accordance with the applicable regulations, are subject to audit and review by the certified auditor. In opinion of the Supervisory Board, the above described internal control system of the Company, effectively prevents the risk of an erroneous assessment of the financial position of the Company.

The Supervisory Board verified the processes executed in the Company in terms of their compliance with the applicable laws and internal regulations. The Supervisory Board exercised the supervision, among other, over the services provided by the external auditors, particularly in terms of their independency.

In the risk management processes, the statutory bodies of the Company shall exercise the most important functions:

- the Management Board,

- the Supervisory Board.

The Supervisory Board is kept informed of the most important decisions and gives it consent and opinions on the activities of the Management Board in this regard. Members of the Management Board shall be responsible for individual areas of the Company's operations. Monitoring of particular types of risks shall be the responsibility of Directors of individual departments, who report directly to Members of the Management Board. Financial Department coordinates the risk management processes. The Management Board analyses the threats and potential risk areas in a continuous manner as well as adopts appropriate remedial measures.

Due to the nature of performed operating activities, the Company is exposed to the following types of risk:

- Currency risk. The currency risk arises from the nature of import activities with regard to the goods from EUR and USD zones which are afterwards sold on the domestic market in PLN. Currency risk management mainly concerns the optimization of purchases of goods and services as well as payment deadlines.
- Interest rate risk. This risk applies mainly to minimizing the risk associated with the use of financial instruments (leasing, credit) for financing the long-term outsourcing agreements (e.g. lease of the equipment for clients). Surplus funds are invested in safe financial instruments with a maturity of up to one year.
- Credit risk. Credit risk primarily relates to such classes of assets as: receivables, loans granted, cash and bank deposits, short-term financial assets. Surplus funds are invested only in instruments and entities with high financial credibility.
- Risk related to financial assets held - liquidity management covers the following areas: ongoing monitoring of trade liabilities and receivables, cash flow and cash needs forecasting.
- Legal risk. Risks related to legal disputes, which despite of the Company's credible justification for presented judgments, indicates the element of uncertainty as to the final settlements.

The Supervisory Board positively assesses the risk management system of ARCUS S.A..

Warsaw, 16 May 2019

Supervisory Board's assessment of the position of ARCUS GROUP in 2018

The Supervisory Board of ARCUS S.A. with its registered office in Warsaw ('the Company'), in accordance with the corporate governance rules set forth in the document: 'Best Practice of WSE Listed Companies', hereby discloses the report on the assessment of the position of the Company in 2018 carried out by the Company's Supervisory Board.

In the financial year 2018, the Supervisory Board of ARCUS S.A. monitored the activities of the Company on an ongoing basis and performed periodic reviews and evaluations of the Company's strategy implementation, including in the following areas:

- a) monitoring and analysis of the financial and organizational situation of the Company and ARCUS S.A. Group,
- b) assessment of the implementation of the Company's strategy by the Management Board,
- c) setting business goals for Members of the Management Board and assessment of their implementation,
- d) getting acquainted with the activities of selected business areas of the Company and the Group,
- e) supervision over the internal control system and system governing the management of risks significant for the Company and the Group,
- f) assessment and approval of the financial statements of the Company and the Group,
- g) legal status of the dispute with Energa Operator S.A.

The detailed scope of activities and resolutions adopted by the Supervisory Board in 2018 is included in the minutes of the Supervisory Board meetings which are kept at the Company's registered office in Warsaw.

In the period covered by the financial statement, the Supervisory Board monitored the present situation of the Company and gave its opinion on the current and planned activities of ARCUS S.A. In particular, the Supervisory Board reviewed the quarterly, semi-annual and annual financial statements of ARCUS S.A. and ARCUS Group. After publication of the financial statements, meetings of the Supervisory Board were held at which the Supervisory Board reviewed the financial results and current business operations of the Company and analysed the scope, reliability, correctness and transparency of data (including financial data) presented by the Company. The Supervisory Board reviewed thoroughly the financial situation of individual companies being part of the Group. The Management Board of the Company provided the Supervisory Board with an access to sources of information and documents in this respect, as well as prepared appropriate presentations and provided necessary explanations in terms of financial situation and the projects implemented by the Company. The Supervisory Board also became familiar with the organisational structure of the Company and issued recommendations for its improvement. The Supervisory Board also reviewed the investments being implemented by the Company and issued related approvals. The Supervisory Board, through the Audit Committee, also held a meeting with representatives of the entity authorised to audit and review financial statements of ARCUS S.A. and ARCUS Group.

According to the Supervisory Board, the accounting methods adopted by the Company and the Group were applied in accordance with the relevant legal regulations. In the opinion of the Supervisory Board, the cooperation with the Management Board of ARCUS S.A. was unreserved and the Management Board presented the required information in a reliable, correct and clear manner.

On the basis of the financial statements presented by the Management Board, the report of the independent auditor on the audit of the financial statement, the Supervisory Board presents below the assessment of ARCUS Group position in 2018.

The analysis of the numbers and indicators presented in the annual financial statement as well as in the Management Board's report on the Group's activities in 2018 allows to draw the following conclusions:

- sales revenues of the Group amounted to PLN 139 million which marks a decrease of PLN 3 million (2%) comparing to 2017,

- Group reported a profit on operating activities in the amount of PLN 1.8 million (by PLN 1.8 million lower comparing to previous year),
- net financial result (net profit) attributable to the Shareholders of a Dominant Entity amounted to PLN 0.7 million which represents a decrease by 0.6 million as compared to 2017,
- balance sheet total of the Group amounted to PLN 103.6 million at the end of 2018.

After analyzing the Group's annual consolidated financial statement and the Management Board's report on Group's activities in 2018, the Supervisory Board indicates a decrease in sales revenues and financial results achieved by the Group in 2018 in relation to the previous year, mainly due to the subsidiary ARCUS Systemy Informatyczne Sp. z o.o.

In the reporting period, the Supervisory Board – within its competences – complied with corporate governance rules applicable to joint stock companies listed on the stock exchange and set forth in the Document: 'Best Practice of WSE Listed Companies'. The Supervisory Board executed its activities in accordance with the Rules of the Supervisory Board available on ARCUS S.A. website.

Throughout 2018, the Audit Committee operated, which on behalf of the Supervisory Board exercised permanent supervision over the Company's internal control and risk management systems. Members of the Supervisory Board were provided by the Audit Committee with the regular and comprehensive information on all important matters concerning the business operations, risks associated with these operations and on methods of mentioned risks management.

In terms of financial statements preparation, the internal control in the Company is exercised through the activities carried out jointly by the President of the Management Board (who supervises the financial and accounting policies of the Company) and the Financial Director (performing the functions of a Chief Accountant). The internal control system applied by the Company is aimed at:

- ensuring the correctness of the accounting documents entered into the financial and accounting systems of the Company,
- limiting an access to the system (which is associated with granted authorizations),
- adjusting the system to applied internal control procedures (with the consideration of their influence on the correctness of collected data).

Additionally, the Company applies a multi-level acceptance system for cost invoices, aimed at preventing the erroneous classification of invoices and the distortion of the financial result of the Company. The system for the control of current balances applied by the Company within the internal control processes, is aimed at preventing erroneous recognition of given items in the balance sheet. Both the semi-annual and annual financial statements, in accordance with the applicable regulations, are subject to audit and review by the certified auditor. In opinion of the Supervisory Board, the above described internal control system of the Company, effectively prevents the risk of an erroneous assessment of the financial position of the Company.

The Supervisory Board verified the processes executed in the Company in terms of their compliance with the applicable laws and internal regulations. The Supervisory Board exercised the supervision, among other, over the services provided by the external auditors, particularly in terms of their independency.

In the risk management processes, the statutory bodies of the Company shall exercise the most important functions:

- the Management Board,
- the Supervisory Board.

The Supervisory Board is kept informed of the most important decisions and gives it consent and opinions on the activities of the Management Board in this regard. Members of the Management Board shall be responsible for individual areas of the Company's operations. Monitoring of particular types of risks shall be the responsibility of Directors of individual departments, who report directly to Members of the Management Board. Financial Department coordinates the risk management processes. The Management Board analyses the threats and potential risk areas in a continuous manner as well as adopts appropriate remedial measures.

Due to the nature of performed operating activities, the Company is exposed to the following types of risk:

- Currency risk. The currency risk arises from the nature of import activities with regard to the goods from EUR and USD zones which are afterwards sold on the domestic market in PLN. Currency risk management mainly concerns the optimization of purchases of goods and services as well as payment deadlines.
- Interest rate risk. This risk applies mainly to minimizing the risk associated with the use of financial instruments (leasing, credit) for financing the long-term outsourcing agreements (e.g. lease of the equipment for clients). Surplus funds are invested in safe financial instruments with a maturity of up to one year.
- Credit risk. Credit risk primarily relates to such classes of assets as: receivables, loans granted, cash and bank deposits, short-term financial assets. Surplus funds are invested only in instruments and entities with high financial credibility.
- Risk related to financial assets held - liquidity management covers the following areas: ongoing monitoring of trade liabilities and receivables, cash flow and cash needs forecasting.
- Legal risk. Risks related to legal disputes, which despite of the Company's credible justification for presented judgments, indicates the element of uncertainty as to the final settlements.

The Supervisory Board positively assesses the risk management system of ARCUS S.A..

Warsaw, 16 May 2019

Report of the Supervisory Board on the assessment of the separate financial statement of ARCUS S.A. for the period from 1 January 2018 to 31 December 2018 and the Management Board's report on activities of ARCUS S.A. in 2018

Assessment of the separate financial statement of ARCUS S.A. for the year 2018

Pursuant to Art. 382.3 of the Commercial Companies Code, the Supervisory Board of ARCUS S.A. has carried out the assessment of:

- the separate financial statement for the year 2018 prepared in accordance with the International Financial Reporting Standards, consisting of:

- statement of financial position prepared as at 31 December 2018 with total assets and liabilities of PLN 103 254 thousand;
- profit and loss account for the period of 1 January 2018 – 31 December 2018 with a net profit at the amount of PLN 1 701 thousand;
- statement of comprehensive income for the period of 1 January 2018 – 31 December 2018, with a loss of PLN 1 701 thousand;
- statement of changes in equity for the period of 1 January 2018 – 31 December 2018, disclosing a decrease in equity by the amount of PLN 16 699 thousand;
- cash-flow statement for the period of 1 January 2018 – 31 December 2018, disclosing a decrease in cash by the amount of PLN 313 thousand;
- additional information and explanations;

in terms of its compliance with books of account, documents and facts.

- the Management Board's report on activities of ARCUS S.A. in 2018.

Opinion of an entity authorized to audit the financial statements

DORADCA Auditors Sp. z o.o. as an entity authorized to audit the financial statements, was selected by the Company's Management Board to audit the annual separate financial statement. The Supervisory Board has reviewed the report of a certified auditor on the audit of the financial statement.

In accordance with the content of the report of an entity auditing the financial statement for the year 2018, the Company's financial statement covering figures and relevant explanations, presents truly and clearly all the information significant for the assessment of the financial position of ARCUS S.A. as at 31 December 2018 as well as its financial result for the financial year ended 31 December 2018.

In accordance with the content of the report of the independent certified auditor, the financial statement has been prepared, in all material respects, in accordance with accounting principles arising from the International Accounting Standards, International Financial Reporting Standards and associated interpretations announced in the form of the European Commission's regulations, and in the matters not regulated by mentioned Standards – in accordance with the Accounting Act and implementation regulations issued under this Act as well as on the basis of properly kept books of account. In accordance with the opinion of the independent certified auditor, the financial statement complies with the regulations affecting the content of the financial statement as well as with provisions of the Company's Articles of Association.

In opinion of the independent certified auditor, the report on the activities of ARCUS S.A. is complete within the meaning of Art. 49.2 of the Accounting Act and the information included therein complies with the audited financial statement and is in line with the provisions of the Regulation of the Minister of Finance of 29 March 2018 on current

and periodic information published by issuers of securities and on conditions for recognition as equivalent of the information required by laws of non-European Union member states. The auditor pointed out that attention should be given to the dispute between ARCUS S.A. and Energa Operator S.A. which was described in detail in the financial statement.

Management Board

As at 31 December 2018 and as of the day of the financial statement hereof publication, the composition of the Management Board was as follows:

- Mr. Michał Czeredys – President of the Management Board,
- Mr. Rafał Czeredys – Member of the Management Board.

Supervisory Board

In accordance with Articles of Association of ARCUS S.A., the Company's Supervisory Board shall be composed of 5 to 10 members. 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 31 December 2018 and as of the date of publication of the financial statement hereof, the composition of the Supervisory Board was as follows:

- Marek Czeredys - Chairman of the Supervisory Board,
- Tomasz Konewka – Vice-Chairman of the Supervisory Board,
- Leszek Lechowski - Member of the Supervisory Board,
- Michał Łotoszyński - Member of the Supervisory Board.
- Krzysztof Rajczewski - Member of the Supervisory Board,
- Jolanta Grus - Member of the Supervisory Board,

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

By the Resolution of the Supervisory Board of 9 July 2015, the Audit Committee was separated from the Supervisory Board. Since 10 October 2017, the Audit Committee was composed of Leszek Lechowski (as Chairman of the Committee), Michał Łotoszyński and Krzysztof Franciszek Przybył. On 5 July 2018, under a resolution of the Supervisory Board, a new composition of the Committee was appointed:

- Leszek Lechowski – Chairman of the Committee,
- Michał Łotoszyński - Member of the Committee,
- Jolanta Grus - Member of the Committee.

Conclusions from the assessment of the financial statement of ARCUS S.A. for the year 2018 and the Management Board's report on activities of ARCUS S.A. in 2018

The Supervisory Board, having read the separate financial statement of Arcus S.A. for the year 2018 and based on the certified auditor's opinion and report, states that the data contained in the annual financial statement of ARCUS S.A. correctly and reliably present the financial position as well as reflect reliably and clearly all information relevant to the assessment of the operating result, profitability and cash flow in the audited period. The financial information included

in the Management Board's report on activities of Arcus S.A. in 2018 is derived directly from the audited annual financial statement and is consistent with this statement.

The analysis of the numbers and indicators presented in the annual financial statement as well as in the Management Board's report on activities of Arcus S.A. in 2018 allows to draw the following conclusions:

- sales revenues of the Company reached PLN 114.7 million which marks a slight increase by PLN 0.8 million compared to the previous year,
- the Company generated operating profit in the amount of PLN 3.5 million and net profit in the amount of PLN 1.7 million,
- the balance sheet total of the Company reached PLN 103.3 million at the end of 2018.

After analyzing the separate financial statement of Arcus S.A. and Management Board's report on activities of Arcus S.A. in 2017, the Supervisory Board notes that the Company's situation in relation to 2017 has not deteriorated and is stable. Company's positive annual results were significantly influenced by the Company's focus on the areas in which it has the strongest competences. Introduction and implementation of cost reduction programs were also of considerable importance.

Supervisory Board delivered its opinions on the implementation of the Company's strategy and investment policy on an ongoing basis.

Supervisory Board's position on ARCUS S.A. compliance with corporate governance rules

In the opinion of the Supervisory Board, in 2018 the Company properly complied with the disclosure requirements concerning the application of corporate governance set forth in the Warsaw Stock Exchange Rules and in regulations concerning current and interim information provided by issuers of securities.

As from January 2016, the Company has been subject to the rules adopted on 13 October 2015 by the Warsaw Stock Exchange Supervisory Board by the Resolution No. 26/1413/2015 on the adoption of a new set of corporate governance rules "Best Practice of GPW Listed Companies 2016". ARCUS S.A. published a report on the compliance by the Company with the principles and recommendations resulting from the new set of corporate governance rules and posted the relevant information on the Company's website. According to the published report, the Company does not comply with the following principles: I.Z.1.15, I.Z.1.16, I.Z.1.20, II.Z.10.4, III.Z.3, III.Z.4, VI.Z.4.

Distribution of profit for the year 2018

The Supervisory Board reviewed the proposal of ARCUS S.A. Management Board as regards distribution of profit for the year 2018.

The Supervisory Board requests:

The Company's Supervisory Board requests that the Ordinary General Meeting of ARCUS S.A. Shareholders:

- approve the Management Board's report on the Company's activities in 2018,
- approve the annual separate financial statement of ARCUS S.A. for the period from 1 January 2018 to 31 December 2018,
- approve the proposal of ARCUS S.A. Management Board as regards distribution of profit for the year 2018.

Warsaw, 16 May 2019

Report of the Supervisory Board on the assessment of the financial statement of ARCUS Group for the financial year ended 31 December 2018 and the Management Board's report on activities of ARCUS Group in 2018

Assessment of the consolidated financial statement for the year 2018

Structure of ARCUS Capital Group

ARCUS Capital Group is composed of:

- **ARCUS S.A.** – Dominant Entity with its registered office in Warsaw. The company is recorded by the District Court for the Capital City of Warsaw (12th Commercial Department of the National Court Register) in the register of entrepreneurs under the number KRS 0000271167. The development of comprehensive, integrated systems for document and mass correspondence management is the principal business of the Company.
- **T-matic Systems S.A.** with its registered office in Warsaw. The company is recorded by the District Court for the Capital City of Warsaw (13th Commercial Department of the National Court Register) in the register of entrepreneurs under the number KRS 0000444112. Telematics services for the passenger and heavy transport, power sector, heat engineering, gas and waterworks industry is the principal business of the Company. As at balance sheet day ARCUS S.A. holds 74.73% shares of T-matic.
- **DocuSoft Sp. z o.o.** with its registered office in Bielsko-Biala, 153 Warszawska Street. The company is recorded by the District Court for the City of Bielsko-Biala (8th Commercial Department of the National Court Register) in the register of entrepreneurs under the number KRS 0000204275. Manufacture of software and implementation of workflow management systems is the principal business of the Company. The subsidiary is subject to consolidation as from 24.05.2011. As at balance sheet day ARCUS S.A. holds 86.96% shares of DocuSoft.
- **Durau Sp. z o.o.** with its registered office in Wrocław, 8-11 Mikołaja Street. The company is recorded by the District Court for the Wrocław (6th Commercial Department of the National Court Register) in the register of entrepreneurs under the number KRS 0000490845. The core business of this Company is construction of a nationwide purchasing group for small and medium-sized businesses in the media, energy, fuel and services sectors. A subsidiary of Durau is LMT Sp. z o.o., in which since December 2018 ARCUS holds directly 39% of shares.
- **Arcus Systemy Informatyczne Sp. z o.o.** (ASI, previously Syntea Business Solutions Sp. z o.o.) with its registered office in Lublin, 9a Wojciechowska Street; recorded by the District Court for the City of Lublin (6th Commercial Department of the National Court Register) in the register of entrepreneurs under the number KRS 0000031806. The company operates in the IT market since 1996 and provides consultancy, implementation and maintenance services for public entities and companies in the field of Enterprise Resource Planning (ERP). As at balance sheet day ARCUS S.A. holds 53.0% shares of ASI.
- **Geotik Sp. z o.o.** with its registered office in Warsaw. The company is recorded by the District Court for the Capital City of Warsaw (12th Commercial Department of the National Court Register) in the register of entrepreneurs under the number KRS 0000444112. Telematics services for the passenger and heavy transport, power sector, heat engineering, gas and waterworks industry is the principal business of the Company. As at balance sheet day ARCUS S.A. holds 66.7% shares of Geotik Sp. z o.o.
- **Arcus Kazakhstan Sp. z o.o.** with its registered office in Astana – the entity was liquidated in July 2018; the entity did not conduct any operating activity.
- **Zeccer Spółka z o.o.**, with its registered office in Wrocław, in which ARCUS S.A. acquired 15% of shares in the capital in the reporting period.

Pursuant to Art. 382.3 of the Commercial Companies Code, the Supervisory Board of ARCUS S.A. has carried out the assessment of:

- the consolidated financial statement for the year 2018 prepared in accordance with the International Financial Reporting Standards, consisting of:

- consolidated balance sheet prepared as at 31 December 2018 with total assets and liabilities of PLN 103 563 thousand;
- consolidated profit and loss account for the period of 1 January 2018 – 31 December 2018 with a net profit attributable to the shareholders of a Dominant Entity in the amount of PLN 655 thousand;
- consolidated statement of comprehensive income for the period of 1 January 2018 – 31 December 2018, with a comprehensive income attributable to the shareholders of a Dominant Entity in the amount of PLN 655 thousand;
- statement of changes in consolidated equity attributable to the shareholders of a Dominant Entity for the period of 1 January 2018 – 31 December 2018, disclosing a decrease in equity by the amount of PLN 3 065 thousand;
- consolidated cash-flow statement for the period of 1 January 2018 – 31 December 2018, disclosing a decrease in cash by the amount of PLN 22 thousand;
- additional information and explanations with regard to compliance with books of account, documents and facts,
- the Management Board's report on activities of ARCUS Group in 2018.

Opinion and report of an entity authorized to audit the financial statements

Pursuant to the Resolution of the Supervisory Board of 9 June 2017, DORADCA Auditors Sp. z o.o. as an entity authorized to audit the financial statements was selected by to audit the annual separate and consolidated financial statements of ARCUS S.A. The Supervisory Board has reviewed the report of a certified auditor on the audit of the consolidated financial statement.

In accordance with the content of the report of an entity auditing the consolidated financial statement for the year 2018, the financial statement of the Group covering figures and relevant explanations, presents truly and clearly all the information significant for the assessment of the financial position of ARCUS Group as at 31 December 2018 as well as its financial result for the financial year from 1 January to 31 December 2018.

In accordance with the content of the report of the independent certified auditor, the financial statement has been prepared, in all material respects, in accordance with accounting principles arising from the International Accounting Standards, International Financial Reporting Standards and associated interpretations announced in the form of the European Commission's regulations, and in the matters not regulated by mentioned Standards – in accordance with the Accounting Act and implementation regulations issued under this Act.

In accordance with the opinion of the independent certified auditor, the financial statement complies with the regulations affecting the content of the consolidated financial statement.

In opinion of the independent certified auditor, the report on the activities of ARCUS Group prepared together with the financial statement is complete within the meaning of Art. 49.2 of the Accounting Act and the information included therein is consistent with the audited financial statement and complies with the provisions of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and on conditions for recognition as equivalent of the information required by laws of non-European Union member states (2009 Journal of Laws No. 33, item 259, as amended). The auditor pointed out that attention should be given to the dispute between consortium ARCUS S.A./T-matic and Energa-Operator S.A. described in detail in the financial statement as well as to the issues associated with impairment of goodwill in respect of estimates and uncertainty in terms of implementation of assumed forecasts.

Management Board

As at 31 December 2018 and as of the day of the financial statement hereof publication, the composition of the Management Board was as follows:

- Mr. Michał Czeredys – President of the Management Board,
- Mr. Rafał Czeredys – Member of the Management Board.

Supervisory Board

In accordance with Articles of Association of ARCUS S.A., the Company's Supervisory Board shall be composed of 5 to 10 members. 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 31 December 2018 and as of the date of publication of the financial statement hereof, the composition of the Supervisory Board was as follows:

- Marek Czeredys - Chairman of the Supervisory Board,
- Tomasz Konewka – Vice-Chairman of the Supervisory Board,
- Leszek Lechowski - Member of the Supervisory Board,
- Michał Łotoszyński - Member of the Supervisory Board.
- Krzysztof Rajczewski - Member of the Supervisory Board,
- Jolanta Grus - Member of the Supervisory Board,

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

By the Resolution of the Supervisory Board of 9 July 2015, the Audit Committee was separated from the Supervisory Board. Since 10 October 2017, the Audit Committee was composed of Leszek Lechowski (as Chairman of the Committee), Michał Łotoszyński and Krzysztof Franciszek Przybył. On 5 July 2018, under a resolution of the Supervisory Board, a new composition of the Committee was appointed:

- Leszek Lechowski – Chairman of the Committee,
- Michał Łotoszyński - Member of the Committee,
- Jolanta Grus - Member of the Committee.

Conclusions arising from the assessment of the financial statement of ARCUS Group for the year 2018 and the Management Board's report on activities of ARCUS Group in 2018

The Supervisory Board, after reviewing the Group's financial statement for the year 2018 and on the basis of the content of the opinion of the certified auditor, states that the data included in ARCUS Group's annual financial statement present truly and clearly the financial position of the Group and reliably reflect all the information significant for the assessment of the economic result, profitability and cash flow in the audited period. The financial information included in the Management Board's report on activities of Arcus Group in 2018 is derived directly from the audited annual financial statement and is consistent with this statement.

The analysis of the numbers and indicators presented in the annual financial statement as well as in the Management Board's report on activities of Arcus Group in 2018 allows to draw the following conclusions:

- the sales revenues reported by the Group amounted to PLN 138 381 thousand which represents a decrease by 2.3% comparing to 2017,
- profit on operating activities reported by the Group amounted to PLN 1 755 thousand,
- net profit generated by the Group, attributable to the Shareholders of a Dominant Entity amounted to PLN 655 thousand,

- the balance sheet total at the end of 2018 amounted to PLN 103 563 thousand.

After the review of the consolidated financial statement and the Management Board's report on activities of Arcus Group in 2018, the Supervisory Board notes that the Group's situation did not deteriorate significantly as compared to 2017 due to the generated net profit. The measures aimed at improving the sales profitability as well as the efficiency of the commodity and warehouse management, were implemented. New business areas are being developed.

The Supervisory Board assesses the Group's financial position as relatively good, and continues to support restructuring activities carried out by the Management Board of the Company. Comprehensive operations involving pro-development activities and measures aimed at reducing or making the group's operating costs more flexible, are recognized by the Supervisory Board as the direction of further systematic improvement of economic performance and development opportunities.

The Supervisory Board requests:

The Company's Supervisory Board requests that the Ordinary General Meeting of ARCUS S.A. Shareholders:

- approve the Management Board's report on activities of ARCUS Group's in 2018,
- approve the annual consolidated financial statement of ARCUS Group for the period from 1 January 2018 to 31 December 2018.

Warsaw, 16 May 2019

**Report of the Supervisory Board on the results of assessment
of the proposal of ARCUS S.A. Management Board
on distribution of profit
for the financial year ended on 31 December 2018**

On the basis of Art. 382.3 of the Commercial Companies Code, the Supervisory Board of ARCUS S.A. ('the Company') has carried out the assessment of the proposal of the Company's Management Board on distribution of profit for the year 2018 in the amount of PLN 1 700 760.58, allocating this profit to the reserve capital of the Company.

Having reviewed the Company's financial statement for the year 2018 and the opinion of the certified auditor on the audit of this financial statement, as well as having regard to the analysis of the position and development prospects of the Company, the Supervisory Board approves the position of the Management Board and decides to recommend it to the Shareholders.

- | | |
|--|-------|
| 1. Marek Czeredys – Chairman of the Supervisory Board | |
| 2. Tomasz Konewka – Vice-Chairman of the Supervisory Board | |
| 3. Leszek Lechowski - Member of the Supervisory Board | |
| 4. Krzysztof Rajczewski - Member of the Supervisory Board | |
| 5. Michał Łotoszyński - Member of the Supervisory Board | |

**Report on the activities of
the Audit Committee of ARCUS S.A. Supervisory Board in 2018**

The Supervisory Board of ARCUS S.A. with its registered office in Warsaw ('the Company') in accordance with corporate governance rules set forth in the document 'Best Practice of WSE Listed Companies', hereby discloses for the attention of the Shareholders of ARCUS S.A., the report on the activities of the Audit Committee in the financial year ended 31 December 2018.

By the Resolution of the Supervisory Board of 9 July 2015, the Audit Committee was separated from the Supervisory Board. Since 10 October 2017, the Audit Committee was composed of Leszek Lechowski (as Chairman of the Committee), Michał Łotoszyński and Krzysztof Franciszek Przybył. On 5 July 2018, under a resolution of the Supervisory Board, a new composition of the Committee was appointed:

- Leszek Lechowski – Chairman of the Committee,
- Michał Łotoszyński - Member of the Committee,
- Jolanta Grus - Member of the Committee.

Aforementioned persons performed their functions until the end of the reporting period.

The Audit Committee of ARCUS S.A. operates in accordance with the Rules of Procedure of the Audit Committee of the Supervisory Board of ARCUS S.A. adopted by the Supervisory Board on 27 October 2016.

In 2018, the Audit Committee held 4 meetings and was involved in particular in:

- a) monitoring of the financial reporting process,
- b) monitoring of the effectiveness of internal control systems, internal audit and risk management,
- c) monitoring of the performance of audit activities,
- d) monitoring of the independence of the certified auditor and the entity authorized to audit financial statements.

Within the scope of its powers, the Audit Committee invited members of the Company's governing bodies and certified auditors to participate in the meetings of the Committee.

The subject of the regular tasks of the Audit Committee is the process of monitoring of works related to the process of preparing and revising the financial statements of the Company, hence the Committee cooperated with the auditor in this area on an ongoing basis. As part of its statutory rights, the Audit Committee examined the independence of the auditor executing the audit of the Company's financial statements - DORADCA Auditors Sp. z o.o. with its registered office in Gdańsk, both in relation to the Company and to its managers and supervisors. The independence has been confirmed on the basis of statements made by the auditor as to the personal independence and the independence of the statutory auditor in relation to ARCUS S.A. The Committee has monitored the correctness of preparing the financial statements by the Company and has closely cooperated in this respect with the auditor auditing the financial statements.

In opinion of the Audit Committee, the cooperation of auditors with the Management Board was properly performed and did not raise any objections. The Audit Committee monitored the financial reporting process on an ongoing basis, and the financial statements in all aspects were prepared in accordance with the accounting principles and on the basis of correctly kept accounting books and reliably reflect the results of the business operations and the financial position of the Company. The Audit Committee also reviewed the Management Board's Report on activities of the Company, recognizing that the presented figures and facts are true and fair.

The Management Board is the body that manages the risk in the Company as part of its operations, while key management personnel participate in the process of risk identification and prevention. Methods for eliminating the risks are determined on a regular basis, while the Board seeks to develop mechanisms aimed at eliminating or minimizing the occurring risks. The Board in cooperation with key managers, regularly reviews those risk factors associated with business operations of the Company, which could have an impact on the economic and financial

position of the Company. There is also a periodic control of risk management principles and compliance of this process with accepted standards, as well as a constant analysis of risk management in terms of improvement opportunities.

Due to the flexible organizational structure of the Company, there is no separate Internal Audit Department in the Company, and the internal control system in the Company is performed by the Management Board, key managers and other employees within assigned duties. Control activities are carried out on an ongoing basis and at the stage of verification by the management of the correctness of tasks performed by subordinates, and also in the process of drawing internal procedures by taking particular care to ensure adequate control mechanisms. Identified, possible irregularities are corrected on an ongoing basis by authorized employees.

The Management Board of the Company complies properly with an obligation of internal control in relation to the preparation and disclosure of current reports and financial statements as required by law.

Throughout 2018, the Audit Committee was operating, which on behalf of the Supervisory Board exercised permanent supervision over the Company's internal control system and risk management system. The members of the Supervisory Board received from the Audit Committee regular and comprehensive information on all important matters concerning performed business operations, as well as on risks related these operations and methods of risk management.

Warsaw, 16 May 2019

Report on the activities of ARCUS S.A. Supervisory Board in 2018

Supervisory Board

In accordance with Articles of Association of ARCUS S.A., the Company's Supervisory Board shall be composed of 5 to 10 members. 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 31 December 2018 and as of the date of publication of the financial statement hereof, the composition of the Supervisory Board was as follows:

- Marek Czeredys - Chairman of the Supervisory Board,
- Tomasz Konewka – Vice-Chairman of the Supervisory Board,
- Leszek Lechowski - Member of the Supervisory Board,
- Michał Łotoszyński - Member of the Supervisory Board.
- Krzysztof Rajczewski - Member of the Supervisory Board,
- Jolanta Grus - Member of the Supervisory Board,

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

By the Resolution of the Supervisory Board of 9 July 2015, the Audit Committee was separated from the Supervisory Board. Since 10 October 2017, the Audit Committee was composed of Leszek Lechowski (as Chairman of the Committee), Michał Łotoszyński and Krzysztof Franciszek Przybył. On 5 July 2018, under a resolution of the Supervisory Board, a new composition of the Committee was appointed:

- Leszek Lechowski – Chairman of the Committee,
- Michał Łotoszyński - Member of the Committee,
- Jolanta Grus - Member of the Committee.

In 2018, the Supervisory Board held 5 meetings (10 April, 21 May, 5 July, 6 September, 21 and 26 November - with a break). In addition, the Audit Committee held 4 meetings. The major issues discussed at the Supervisory Board meetings were as follows:

- a) monitoring and analysis of the financial and organizational situation of the Company and ARCUS S.A. Group,
- b) assessment of the implementation of the Company's strategy by the Management Board,
- c) setting business goals for Members of the Management Board and assessment of their implementation,
- d) getting acquainted with the activities of selected business areas of the Company and the Group,
- e) supervision over the internal control system and system governing the management of risks significant for the Company and the Group,
- f) assessment and approval of the financial statements of the Company and the Group,
- g) legal status of the dispute with Energa Operator S.A.

The detailed scope of activities and resolutions adopted by the Supervisory Board in 2018 is included in the minutes of the Supervisory Board meetings which are kept at the Company's registered office in Warsaw.

In connection with the detailed principle no. II.Z.11. specified in part II of the “Best Practice of GPW Listed Companies 2016”, by resolutions of 22 May 2018, the Supervisory Board of ARCUS S.A. positively assessed draft resolutions of the Ordinary General Meeting of Shareholders of the Company, which was held on 27 June 2018.

In the period covered by the financial statement, the Supervisory Board monitored the present situation of the Company and gave its opinion on the current and planned activities of ARCUS S.A. In particular, the Supervisory Board reviewed the quarterly, semi-annual and annual financial statements of ARCUS S.A. and ARCUS Group. After publication of the financial statements, meetings of the Supervisory Board were held at which the Supervisory Board reviewed the financial results and current business operations of the Company and analysed the scope, reliability, correctness and transparency of data (including financial data) presented by the Company. The Supervisory Board reviewed thoroughly the financial situation of individual companies being part of the Group. The Management Board of the Company provided the Supervisory Board with an access to sources of information and documents in this respect, as well as prepared appropriate presentations and provided necessary explanations in terms of financial situation and the projects implemented by the Company. The Supervisory Board also became familiar with the organisational structure of the Company and issued recommendations for its improvement. The Supervisory Board also reviewed the investments being implemented by the Company and issued related approvals. The Supervisory Board, through the Audit Committee, also held a meeting with representatives of the entity authorised to audit and review financial statements of ARCUS S.A. and ARCUS Group.

According to the Supervisory Board, the accounting methods adopted by the Company and the Group were applied in accordance with the relevant legal regulations. In the opinion of the Supervisory Board, the cooperation with the Management Board of ARCUS S.A. was unreserved and the Management Board presented the required information in a reliable, correct and clear manner.

DORADCA Auditors Sp. z o.o. performed the function of an entity authorised to audit and review the Company's financial statements for the year 2018. The resolution on the selection of an entity providing services in the field of audit and review of financial statements of ARCUS S.A. and ARCUS S.A. Group for the year 2018 was adopted by the Supervisory Board on 10 October 2017. In the opinion of the Supervisory Board, the entity authorised to audit and review the financial statements of ARCUS S.A. and ARCUS S.A. Group was selected in accordance with the provisions of the law while the statutory auditors carrying out the audit and review complied with the conditions for issuing an impartial and independent opinion on the audit, in accordance with the relevant provisions of the Polish law.

In the opinion of the Supervisory Board, the composition and variety of competencies of the Members of the Supervisory Board allow for effective and proper supervision over the Company's activities in all areas of its operations. Members of the Supervisory Board are diversified in terms of education, they have knowledge and skills supported by many years of professional experience. At least two members of the Supervisory Board meet the independence criteria set out in detailed principle II.Z.4 of “Best Practice of GPW Listed Companies 2016”.

The Supervisory Board of ARCUS S.A. assesses its works in 2018 as effective. Members of the Supervisory Board fulfilled their duties with commitment, participating in most cases in the full composition in meetings of the Supervisory Board.

The Audit Committee of ARCUS S.A. operates in accordance with the Rules of Procedure of the Audit Committee of the Supervisory Board of ARCUS S.A. adopted by the Supervisory Board on 27 October 2016.

By the Resolution of the Supervisory Board of 9 July 2015, the Audit Committee was separated from the Supervisory Board. Since 10 October 2017, the Audit Committee was composed of Leszek Lechowski (as Chairman of the Committee), Michał Łotoszyński and Krzysztof Franciszek Przybył. On 5 July 2018, under a resolution no. 3/07/2018 of the Supervisory Board, a new composition of the Committee was appointed:

- Leszek Lechowski – Chairman of the Committee,
- Michał Łotoszyński - Member of the Committee,
- Jolanta Grus - Member of the Committee.

Aforementioned persons performed their functions until the end of the reporting period.

In 2018, the Audit Committee held 4 meetings and was involved in particular in:

- a) monitoring of the financial reporting process,
- b) monitoring of the effectiveness of internal control systems, internal audit and risk management,
- c) monitoring of the performance of audit activities,
- d) monitoring of the independence of the certified auditor and the entity authorized to audit financial statements.

Within the scope of its powers, the Audit Committee invited members of the Company's governing bodies and certified auditors to participate in the meetings of the Committee.

Throughout 2018, the Audit Committee operated, which on behalf of the Supervisory Board exercised permanent supervision over the Company's internal control and risk management systems. Members of the Supervisory Board were provided by the Audit Committee with the regular and comprehensive information on all important matters concerning the business operations, risks associated with these operations and on methods of mentioned risks management.

In terms of financial statements preparation, the internal control in the Company is exercised through the activities carried out jointly by the President of the Management Board (who supervises the financial and accounting policies of the Company) and the Financial Director (performing the functions of a Chief Accountant). The internal control system applied by the Company is aimed at:

- ensuring the correctness of the accounting documents entered into the financial and accounting systems of the Company,
- limiting an access to the system (which is associated with granted authorizations),
- adjusting the system to applied internal control procedures (with the consideration of their influence on the correctness of collected data).

Assessment of the internal control system

The internal control in the Company is exercised on an ongoing basis by the employees of all organizational units. It mainly concerns the analysis of compliance of decisions and operational activities with internal procedures. The internal control process is supervised by the Management Board and exercised by the managers and directors of individual organizational units, particularly in the financial department. The actions of the Company's Management Board to ensure the effectiveness of internal controls are taken on an ongoing basis. The areas of activity that may cause complications in the future are identified continuously.

In opinion of the Supervisory Board, the internal control system in ARCUS S.A. is functioning properly.

Assessment of the risk management system

In the risk management processes, the statutory bodies of the Company shall exercise the most important functions:

- the Management Board,
- the Supervisory Board.

The Supervisory Board is kept informed of the most important decisions and gives it consent and opinions on the activities of the Management Board in this regard. Members of the Management Board shall be responsible for individual areas of the Company's operations. Monitoring of particular types of risks shall be the responsibility of Directors of individual departments, who report directly to Members of the Management Board. Financial Department coordinates the risk management processes. The Management Board analyses the threats and potential risk areas in a continuous manner as well as adopts appropriate remedial measures.

Assessment of the compliance with disclosure requirements concerning the application of corporate governance

In the opinion of the Supervisory Board, in 2018 the Company properly complied with the disclosure requirements concerning the application of corporate governance set forth in the Warsaw Stock Exchange Rules and in regulations concerning current and interim information provided by issuers of securities.

As from January 2016, the Company has been subject to the rules adopted on 13 October 2015 by the Warsaw Stock Exchange Supervisory Board by the Resolution No. 26/1413/2015 on the adoption of a new set of corporate governance rules "Best Practice of GPW Listed Companies 2016". ARCUS S.A. published a report on the compliance by the Company with the principles and recommendations resulting from the new set of corporate governance rules and posted the relevant information on the Company's website. According to the published report, the Company does not comply with the following principles: I.Z.1.15, I.Z.1.16, I.Z.1.20, II.Z.10.4, III.Z.3, III.Z.4, VI.Z.4.

Warsaw, 16 May 2019