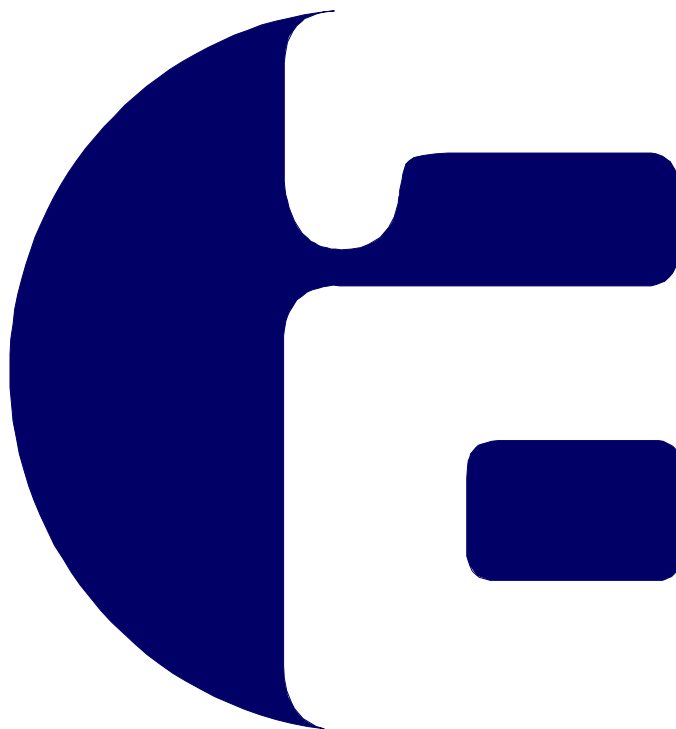


ARCUS Spółka Akcyjna

www.arcus.pl



Consolidated Interim Report
of Arcus Spółka Akcyjna (Joint Stock Company)
for the period from 1 January to 30 June 2019

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

SELECTED FINANCIAL DATA		PLN THOUSAND		EUR THOUSAND	
		from 01.01 to 30.06.2019	from 01.01 to 30.06.2018	from 01.01 to 30.06.2019	from 01.01 to 30.06.2018
I	Sales revenues	68 294	61 367	15 927	14 479
II	Profit (loss) on operating activities	-1 963	-2 382	-458	-562
III	Profit (loss) before tax	-2 128	-4 084	-496	-964
IV	Profit (loss) on consolidation	-2 072	-3 429	-483	-809
V	Profit (loss) attributable to the shareholders of a Dominant Entity	-1 730	-2 636	-404	-622
VI	Total comprehensive income	-2 072	-3 429	-483	-809
VII	Comprehensive income attributable to the shareholders of a Dominant Entity	-1 730	-2 636	-404	-622
VIII	Net Cash Flows from operating activities	-472	-4 383	-110	-1 034
IX	Net Cash Flows from investing activities	-1 895	-610	-442	-144
X	Net Cash Flows from financing activities	766	4 235	179	999
XI	Change in cash	-1 601	-758	-373	-179
XII	Net profit (loss) and diluted net profit (loss) per share attributable to the shareholders of a Dominant Entity	-0,24	-0,36	-0,06	-0,08
XIII	EBITDA	-304	-656	-71	-155

		PLN THOUSAND		EUR THOUSAND	
		As at 30.06.2019	As at 30.06.2018	As at 30.06.2019	As at 30.06.2018
XIV	Total assets	106 546	101 564	25 058	23 286
XV	Long-term liabilities	19 543	22 060	4 596	5 058
XVI	Short-term liabilities	45 177	35 970	10 625	8 247
XVII	Equity	41 826	43 534	9 836	9 981
XVIII	Equity attributable to the shareholders of a Dominant Entity	35 177	40 980	8 273	9 396
XIX	Share capital	732	732	172	168
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	4,81	5,60	1,13	1,28



1.2 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 30.06.2019	from 01.01 to 30.06.2018	from 01.01 to 30.06.2019	from 01.01 to 30.06.2018
I	Sales revenues	60 032	51 205	16 968	12 081
II	Profit (loss) on operating activities	-809	-327	-188	-77
III	Profit (loss) before tax	-861	-1 643	-201	-388
IV	Net profit (loss)	-839	-1 326	-195	-313
V	EBITDA	137	609	32	144
VI	Total comprehensive income	-839	-1 326	-195	-313
VII	Net Cash Flows from operating activities	-282	-4 314	-66	-1 018
VIII	Net Cash Flows from investing activities	-1 836	-1809	-428	-427
IX	Net Cash Flows from financing activities	1 237	5 174	288	1 221
X	Change in cash	-881	-949	-205	-224
XI	Net profit (loss) and diluted net profit (loss) per share	-0,11	-0,18	-0,03	-0,04

		PLN THOUSAND	EUR THOUSAND	
		As at 30.06.2019	As at 30.06.2018	As at 30.06.2018
XII	Total assets	109 979	117 295	26 892
XIII	Long-term liabilities	19 285	20 791	4 767
XIV	Short-term liabilities	40 727	30 249	6 935
XV	Equity	40 967	66 255	15 191
XVI	Share capital	732	732	168
XVII	Weighted average number of shares	7 320 000	7 320 000	7 320 000
XVIII	Book value and diluted book value per share	6,83	9,05	2,08

1.3 Rules adopted for conversion of financial data

The financial data in EUR have been converted according to the following rules:

- individual items of assets and liabilities – according to the National Bank of Poland average exchange rates on:
 - 30.06.2019 – 4.2520 PLN/EUR;
 - 30.06.2018 – 4.3616 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 1.01.2019 to 30.06.2019 – 4.2880 PLN/EUR;
 - for the period from 1.01.2018 to 30.06.2018 – 4.2384 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		01.01-30.06.2019	01.01-30.06.2018
Sales revenues	5.1		68 294	61 367
Direct cost of sales	5.5		-50 596	-45 629
Gross profit (loss) from sales			17 698	15 738
Other operating income	5.6		328	295
Costs of sales	5.5		-13 657	-12 448
General administrative expenses	5.5		-5 695	-5 849
Other operating expenses	5.6		-637	-118
Operating income (loss)			-1 963	-2 382
Financial income	5.7		257	85
Financial costs	5.7		-422	-1 787
Profit (loss) before tax			-2 128	-4 084
Income tax:	5.8		56	408
Deferred income tax			56	655
Net profit (loss)	5.9		-2 072	-3 429
EBITDA			-304	-656
Profit (loss) attributable to:				
Shareholders of a Dominant Entity			-1 730	-2 636
Minority Shareholders			-342	-793
Profit (loss) annualized			1 320	-1 091
Ordinary and diluted	5.9		-0,24	-0,36
Statement of comprehensive income				
	Note		01.01-30.06.2019	01.01-30.06.2018
Net profit (loss)			-2 072	-3 429
The total of the components of other comprehensive income			0	0
Comprehensive income for the period			-2 072	-3 429
Comprehensive income for the period attributable to:	5.9			
Shareholders of a Dominant Entity			-1 730	-2 636
Minority Shareholders			-342	-793
Ordinary and diluted (in PLN per share)			-0,24	-0,36



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

ASSETS	Note	As at 30.06.2019	As at 31.12.2018	As at 30.06.2018
FIXED ASSETS				
Tangible assets	5.10	4 638	3 478	3 181
Intangible assets	5.11	6 421	6 952	7 185
Goodwill on consolidation		10 797	10 797	13 826
Participating interests in affiliated undertakings		350	350	
Long-term receivables	5.12	13 014	11 220	7 264
Deferred income tax assets		5 269	5 233	4 739
Total		40 489	38 030	36 195
CURRENT ASSETS				
Inventories	5.13	21 310	12 497	22 772
Trade receivables and other receivables	5.14	44 067	50 763	41 069
Loans granted		479	471	462
Cash		201	1 802	1 066
Total		66 057	65 533	65 369
TOTAL ASSETS		106 546	103 563	101 564
LIABILITIES	Note	As at 30.06.2019	As at 31.12.2018	As at 30.06.2018
Equity attributable to the shareholders of a Dominant Entity				
Share capital	5.15	732	732	732
Share premium		37 631	37 631	37 631
Revaluation reserve	5.16	-7 364	-7 364	0
Other reserves		143	143	143
Retained earnings		4 035	5 765	2 474
Total		35 177	36 907	40 980
Non-controlling interests		6 649	6 991	2 554
Equity – total		41 826	43 898	43 534
Long-term liabilities	5.17			
Deferred income tax reserve		5 626	5 638	4 568
Provisions for liabilities		404	404	340
Long-term loans and bank borrowings	5.18	0	0	381
Other long-term liabilities		13 513	14 169	16 771
Total		19 543	20 211	22 060
Short-term liabilities	5.20			
Short-term loans and bank borrowings	5.18	6 122	4 937	6 783
Trade liabilities and other liabilities		38 275	33 725	28 374
Provisions for liabilities		780	792	813
Total		45 177	39 454	35 970
TOTAL LIABILITIES		106 546	103 563	101 564



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

	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Cash flows from operating activities		
Profit before tax	-2 126	-4 084
Adjustments	1 654	-299
Depreciation and amortisation	1 658	1 725
Interests received	206	284
Result on investing activities	-150	-115
Change in inventories	-8 813	-13 491
Change in receivables	4 903	24 959
Change in liabilities and reserves	3 883	-13 661
Other	-33	0
<u>Net cash from operating activities</u>	<u>-472</u>	<u>-4 383</u>
Cash flows from investing activities		
Inflows	457	281
Disposal of intangible and tangible fixed assets	261	281
Repayment of loans	196	0
Outflows	-2 352	-891
Purchases of intangible and fixed tangible assets	-2 352	-891
<u>Net cash from investing activities</u>	<u>-1 895</u>	<u>-610</u>
Cash flow from financing activities		
Inflows	<u>1 513</u>	<u>6 678</u>
Proceeds from loans and borrowings	1 513	6 675
Outflows	-747	-2 443
Dividends and other payments to the owners	0	-367
Repayment of credits and loans		-1 730
Financial lease payments	-579	-254
Interests paid	-168	-92
<u>Net cash from financing activities</u>	<u>766</u>	<u>4 235</u>
Change in cash	-1 601	-758
Cash at the beginning of the period	1 802	1 824
Cash at the end of the period	201	1 066



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

For the period from 1 January to 30 June 2019

Equity attributable to the shareholders of a Dominant Entity

	Share capital, reserve capital share premium	Retained earnings	Revaluation reserve	Total	Equity attributable to non-controlling shareholders	TOTAL EQUITY	
As at 1 January 2019	38 506	5 765	-	7 364	36 907	6 991	43 898
Net profit		- 1 730		- - 1 730	-	342	- 2 072
Comprehensive income for the period	-	- 1 730		- - 1 730	-	342	- 2 072
As at 30 June 2019	38 506	4 035	-	7 364	35 177	6 649	41 826

For the period from 1 January to 31 December 2018

Equity attributable to the shareholders of a Dominant Entity

	Share capital, reserve capital share premium	Retained earnings	Revaluation reserve	Total	Equity attributable to non-controlling shareholders	TOTAL EQUITY
As at 1 January 2018	38 506	5 110	-	43 616	3 348	46 964
Net profit/loss	0	655	0	655	-692	-37
Total of comprehensive income	0	655	0	655	-692	-37
Merger with a subsidiary			-7 364	-7 364	4 335	-3 029
As at 31 December 2018	38 506	5 765	-7 364	36 907	6 991	43 898

For the period from 1 January to 30 June 2018

Equity attributable to the shareholders of a Dominant Entity

	Share capital, reserve capital share premium	Retained earnings	Revaluation reserve	Total	Equity attributable to non-controlling shareholders	TOTAL EQUITY
As at 1 January 2018	38 506	5 110	-	43 616	3 348	46 964
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



3 Background 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 National Court Register of the District Court for the City of Warsaw, 12th Commercial Division of the 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 2019, 30 June 2019 and as at the date of publication of this report, 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 2019, 30 June 2019 and as at the date of publication of this report, 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.
-



3.1.4 Arcus Group

As at 30 June 2019 and as at the day of the financial statement hereof publication ARCUS S.A. Group is composed of the following entities:

- ARCUS S.A. as a dominant entity
- Subsidiary undertaking - Arcus Systemy Informatyczne Sp. z o.o.
- Subsidiary undertaking - T-matic Systems S.A.
- 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.
- Zeccer Sp. z o.o.

ARCUS S.A. - dominant entity with its registered office in Warsaw at 5/7 Kolejowa Street, registered with the National Court Register of the District Court for the City of Warsaw, 12th Commercial Division under the number KRS 0000271167. The core business of ARCUS S.A. includes sales, lease and maintenance of document management systems, including printing and copying equipment of the Japanese company Kyocera Document Solutions and third-party and proprietary software, mass correspondence management systems and integration of ICT solutions (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 National Court Register of the District Court for the City of Lublin-Wschód in Świdnik, 6th Commercial Division under the number KRS 0000031806. The company provides consultancy, implementation and maintenance services in the field of Enterprise Resource Planning (ERP) to public institutions. Satore Sp. z o.o. is ASI company's affiliated undertaking. Satore Sp. z o.o. does not perform any business activities.

T-matic Systems S.A. („T-matic”) with its registered office in Warsaw at 5/7 Kolejowa Street, registered with the National Court Register of the District Court for the City of Warsaw, 12th Commercial Division under the number KRS 0000444112. The core business of T-matic involves provision 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 the National Court Register of District Court for the City of Warsaw, 12th Commercial Division 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 the National Court Register of District Court for the City of Bielsko-Biała, 7th Commercial Division 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 National Court Register of the District Court for the City of Wrocław, Commercial Division 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. A direct subsidiary of Durau is LMT Sp. z o.o., in which Arcus holds 39% of shares (since December 2018).

Zeccer Sp. z o.o. – with its registered office in Wrocław, registered with the National Court Register of the District Court for the City of Wrocław, Commercial Division under the number KRS 0000425365. The Company offers document management services that fit into the global sharing economy trend. These services include, among others, enabling individual clients to print and copy documents in public places for a fee.



4 Information on the rules adopted for the purpose of preparation of the interim condensed financial statement for the first half of 2019

4.1 Basis for financial information preparation

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 29 March 2018 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 of 20 April 2018, item 757 as amended) and presents the financial situation of ARCUS S.A. Group as at 30 June 2019, 30 June 2018, the results of its operations for the six-month period ended 30 June 2019 and 30 June 2018, and cash flows for the six-month period ended 30 June 2019 and 30 June 2018.

The consolidated financial statement has been prepared with the assumption that the Group will continue as a going concern in the foreseeable future. As at the day of preparing the financial statement hereof, there are no other circumstances indicating a threat to the continuation of business activities of ARCUS 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 International Accounting Standard ("IAS") 34 - Interim Financial Reporting ("IAS 34") and contain only the disclosures required by applicable regulations that are material in the opinion of the Management Board.

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 an 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 2018 and new standards effective from 1 January 2019:

- 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 2018 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

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

<u>REVENUES</u>		
	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Domestic sales	67 585	60 677
Foreign sales	709	690
<u>Total</u>	<u>68 294</u>	<u>61 367</u>

<u>REVENUES</u>		
	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Revenues from sales of services	19 816	18 001
Revenues from sales of goods	48 478	43 366
<u>Total</u>	<u>68 294</u>	<u>61 367</u>

5.2 Seasonality and cyclicity

The operations of ARCUS S.A. Group are not subject to significant seasonality factors. Revenues are generated on the basis of fixed and incidental contracts. The high share of incidental contracts in sales, as well as their variable distribution over the year with an upward trend in the second half of the year, leads to a diversified level of sales in the comparable periods of subsequent years. At the same time, these factors do not significantly affect the comparability of the Group's full-year financial results, and the policy of business diversification to a limited extent mitigates the effects of seasonality and incidental transactions.

5.3 Operating segments

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

- **IT segment** - covering sales and lease of copying devices and equipment for mail and document lifecycle management (office solutions), hardware and electronics,
- **Telematics segment** - covering services related to monitoring and management of vehicle fleets
- **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 2019

Data for the period from 01.01 to 30.06.2019					
	PLN THOUSAND				
	IT Segment	Telematics Segment	Telemetry Segment	Services Segment	Total
Sales to external clients	52 385	1 785	228	13 896	68 294
Segment's result	3 255	71	-386	-1 096	1 844
Unassigned costs	-	-	-	-	-3 806
Profit on operating activities	-	-	-	-	-1 962
Net financial revenues	-	-	-	-	-165
Profit before tax	-	-	-	-	-2 127
Income tax	-	-	-	-	54
Net profit for the financial year	-	-	-	-	-2 073
Assets and liabilities					
Segment's assets	69 248	2 360	301	18 369	90 278
Unassigned assets	-	0	-	-	16 268
Total assets					106 546
Segment's liabilities	45 733	1 558	199	12 131	59 621
Unassigned liabilities	-	-	-	-	46 925
Total Liabilities					106 546

Data for the period from 01.01 to 30.06.2018					
	PLN thousand				
	IT Segment	Telematics Segment	Telemetry Segment	Services Segment	Total
Sales to external clients	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
Total Liabilities					101 564



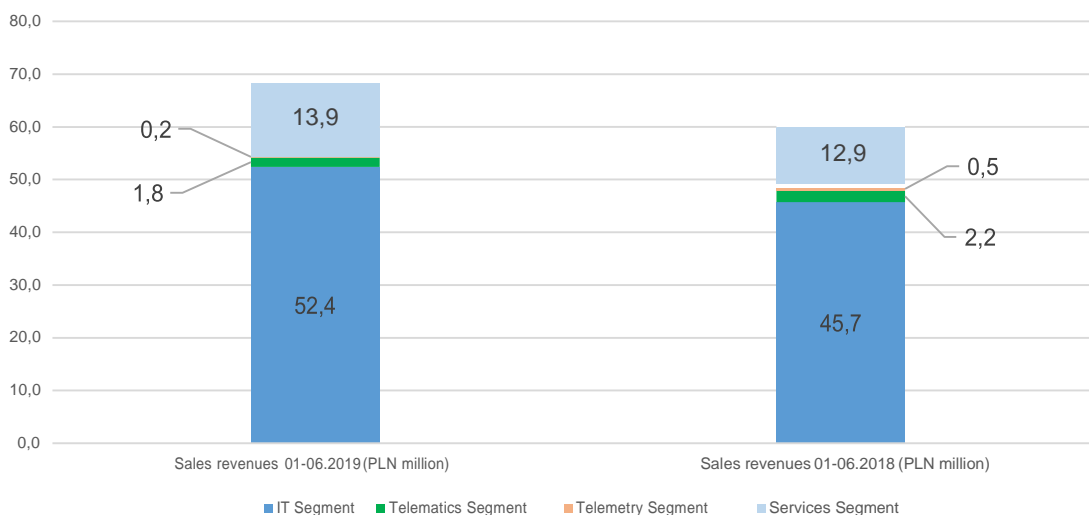
5.4 Description of significant achievements or failures of the Group and events affecting the generated financial result

In the first half of 2019, the Group has continued the activities initiated in previous periods related to the implementation of a modified sales policy which assumed:

- Intensification of activities aimed at attracting customers from the segment of small and medium-sized 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 generated in the reporting period are a positive reflection of the adopted strategy and are also the effect of a systematic increase in the number of equipment lease agreements and the rebuilding of revenues from the sale of consumables (increase by PLN 2 550 thousand, i.e. by 12% compared to the corresponding period of 2018), and on the other hand, shifts in the execution of some contracts for subsequent periods.

In the period of six months of 2019, sales by separate segments in comparison with the corresponding period of 2018 showed an increase in sales revenues mainly in the IT segment.





5.4.1 IT Segment

As in the preceding periods, the IT segment remains the dominant segment of the ARCUS Group's business operations. In the period of six months of 2019, sales revenues of PLN 52,385 thousand were generated, which represents an increase by 14.6% as compared to the corresponding period of 2018. The increase in revenues was driven by the increase in lease revenues and further reconstruction of the level of consumables sales. The profitability of the segment slightly decreased due to lower discounts obtained on the purchase of goods than in the comparable period.

IT SEGMENT, 01-06.2019/01-06.2018

	<u>01-06.2019</u>	<u>01-06.2018</u>	<u>PLN Change</u>	<u>%Change</u>
Sales revenues (PLN thousand)	52 385	45 719	6 666	14,6%
Segment's result (PLN thousand)	3 255	3 446	-191	-5,5%
Sales profitability	6,2%	7,5%	-1,3	pp

The Group continues its activities aimed at obtaining high margin contracts.

5.4.2 Telematics Segment

In the period of six months of 2019, the Telematics segment generated sales revenues in the amount of 1 785 thousand PLN, which means a decrease by 418 thousand PLN (19 %) in relation to the comparable period. In the comparable period, equipment was sold abroad for a total value of PLN 614 thousand. Such sale did not occur in the reporting period.

TELEMATICS SEGMENT, 01-06.2019/01-06.2018

	<u>01-06.2019</u>	<u>01-06.2018</u>	<u>PLN Change</u>	<u>% Change</u>
Sales revenues (PLN thousand)	1 785	2 203	-418	-19,0%
Segment's result (PLN thousand)	71	251	-180	-71,7%
Sales profitability	4,0%	11,4%	-7,4	pp



5.4.3 Telemetry Segment

The revenues and profitability of the segment were still affected by delays in launching telemetry projects by customers, while the contractor had to bear the costs of resources maintenance.

TELEMETRY SEGMENT, 01-06.2019/01-06.2018

	<u>01-06.2019</u>	<u>01-06.2018</u>	<u>PLN Change</u>	<u>% Change</u>
Sales revenues (PLN thousand)	228	532	-304	-57,1%
Segment's result (PLN thousand)	-386	-309	-77	24,9%
Sales profitability	-169,3%	-58,1%	-111,2	pp

The execution and termination of contracts within the segment, with a positive impact on profitability, is expected in subsequent periods and will depend on projects carried out 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 period of six months of 2019, the segment generated sales revenues in the amount of PLN 13,896 thousand, which represents an increase by 7.6% in relation to the comparable period. Profitability in the reporting period also improved significantly.

SERVICES SEGMENT, 01-06.2019/01-06.2018

	<u>01-06.2019</u>	<u>01-06.2018</u>	<u>PLN Change</u>	<u>% Change</u>
Sales revenues (PLN thousand)	13 896	12 913	983	7,6%
Segment's result (PLN thousand)	-1 096	-2 400	1 304	-54,3%
Sales profitability	-7,9%	-18,6%	10,7	pp

However, the Group is still not satisfied with the results of the segment, which were affected by the lack of execution of EU funds within the scope of services offered by the segment, while incurring the costs of maintaining the necessary resources. In 2018, the Group carried out a restructuring process involving termination of unprofitable projects executed in the services segment. The Group expects further positive changes in this respect in subsequent periods.



5.5 Costs by nature

<u>COSTS BY NATURE</u>	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Value of goods sold	36 840	31 279
Third-party services	9 867	9 777
Remunerations and employee benefits	11 707	11 575
Consumption of materials and energy	8 339	8 082
Taxes and fees	531	570
Amortisation and depreciation	1 657	1 725
Other	1 007	919
Total	69 948	63 927
Change in inventory	0	-1
Costs of operating activities	69 948	63 926
Sales costs	13 657	12 448
General and administrative costs	5 695	5 849
Direct cost of sales	50 596	45 629

5.6 Other operating costs and revenues

<u>Other operating revenues</u>	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Profit from the sales of fixed assets	149	114
Compensation received	124	14
Subsidies received		
Other	55	167
Total	328	295
<u>Other operating costs</u>		
	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Loss on disposal of fixed assets		
Revaluation of non-financial assets	508	
Other	129	118
Total	637	118



5.7 Financial revenues and costs

<u>_Financial revenues_</u>		
	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Interests on bank deposits	5	15
Other interests received		2
Other - including foreign exchange gains	250	68
<u>Total</u>	<u>257</u>	<u>85</u>
 <u>_Financial costs_</u>		
	<u>01.01-30.06.2019</u>	<u>01.01-30.06.2018</u>
Interests on bank loans	150	93
Other interests received	83	32
Other - including foreign exchange losses	169	1 662
<u>Total</u>	<u>422</u>	<u>1 787</u>

5.8 Income tax

<u>INCOME TAX</u>		
	<u>01.01.2019 -30.06.2019</u>	<u>01.01.2018-30.06.2018</u>
Deferred income tax	56	655

Effective taxation in the reporting period was lower than that calculated at the nominal rate due to non-capitalisation of losses of the Group's companies.

5.9 Net profit (loss) per share

	<u>01.01.2019 -30.06.2019</u>	<u>01.01.2018 - 30.06.2018</u>
Weighted average number of shares	7 320 000	7 320 000
Net profit attributable to the shareholders of a Dominant Entity (PLN thousand)	-1 730	-2 636
Net profit per share attributable to the shareholders of a Dominant Entity	-0,24	-0,36
Diluted profit per share attributable to the shareholders of a Dominant Entity	-0,24	-0,36



5.10 Fixed tangible assets

<u>FIXED TANGIBLE ASSETS</u>	As at 30.09.2019	As at 31.12.2018	As at 30.06.2018
Buildings and structures	331	142	216
Machines and devices	574	507	390
Means of transport	1 541	857	782
Other	473	860	550
Fixed assets - total	2 919	2 366	1 938
Prepayments for fixed assets	858	351	407
Fixed assets under construction	861	761	836
Fixed tangible assets	4 638	3 478	3 181

<u>Change in fixed assets in the period 01.01 - 30.06.2019</u>	Buildings and structures	Machines and devices	Means of transport	Other	Total
Net opening balance	142	507	857	860	2 366
Gross value					0
As at 01.01.2019	889	3 395	3 018	3 404	10 706
Increase - purchase		208	1 042	579	1 829
Presentation correction	249			-249	0
Decrease - sale and liquidation		11	419	512	942
As at 30.06.2019	1138	3 592	3 641	3 222	11 593
Redemption					0
As at 01.01.2019	747	2 888	2 161	2 544	8 340
Increase – amortization and depreciation	60	141	256	262	719
Decrease - sale and liquidation		11	317	57	385
As at 30.06.2019	807	3 018	2 100	2 749	8 674
Net as at 30.06.2019	331	574	1 541	473	2 919



5.11 Intangible assets

	As at 30.09.2019	As at 31.12.2018	As at 30.06.2018
Software	1 909	2 540	2 646
Licenses	153	11	266
Other (software, expenditures on intangible assets)	2 946	3 016	2 994
Total	5 008	5 567	5 906
Advance payments for intangible assets	1 413	1 385	1 279
Total	6 421	6 952	7 185

Changes in intangible assets in the period from 01.01. to 30.06.2019

	Software	Licenses	Other	Total
Net opening balance	2 540	11	3 016	5 567
Gross value				
As at 01.01.2019	6 285	2 134	6 108	14 527
Increase - purchase			380	380
Presentation correction		174	-174	0
Decrease – sale and liquidation				
As at 30.06.2019	6 285	2 308	6 314	14 907
Redemption				
As at 01.01.2019	3 745	2 123	3 092	8 960
Increases – amortization and depreciation	631	32	276	939
Decreases – sale and liquidation				
As at 30.06.2019	4 376	2 155	3 368	9 899
Net, as at 30.06.2019	1 909	153	2 946	5 008

5.12 Long-term receivables

Long-term receivables

	As at 30.06.2019	As at 31.12.2018	As at 30.06.2018
Trade receivables from other entities (including lease receivables)	12 938	11 149	7 164
Other receivables	76	71	100
Total	13 014	11 220	7 264



5.13 Inventories

Inventories

	<u>As at 30.06.2019</u>	<u>As at 31.12.2018</u>	<u>As at 30.06.2018</u>
Gross goods	21 542	12 790	23 061
Write-down	-324	-324	-324
Advance payments for deliveries	92	31	35
Inventories - TOTAL	21 310	12 497	22 772

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 subsequent periods.

Inventory aging	up to 180 days	from 181 to 360 days	over 360 days	Total inventories
As at 30.06.2019	18 365	1 493	1 684	21 542
As at 30.06.2018	20 125	905	2 031	23 061

Inventories of value amounting to PLN 15.5 million were the collateral for the bank loan and an insurance guarantee.

5.14 Short-term receivables

Short-term receivables

	<u>As at 30.06.2019</u>	<u>As at 31.12.2018</u>	<u>As at 30.06.2018</u>
Trade and other receivables	34 423	34 688	27 169
Tax receivables	248	256	314
Other receivables	10 358	16 781	18 200
Receivables claimed at court			
Write-down	-962	-962	-4 614
Total	44 067	50 763	41 069

Aging of trade receivables	up to 60 days	from 60 to 180 days	over 180 days	Total
As at 30.06.2019				
Due receivables				27 901
Past-due receivables	5 302	432	788	<u>6 522</u>
Total trade receivables (gross)				34 423
As at 30.06.2018				
Due receivables				17 194
Past-due receivables	3 886	800	5 289	<u>9 975</u>
Total trade receivables (gross)				27 169



5.15 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.

<u>Share capital</u>				
	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.

5.16 Revaluation reserve

At the end of the reporting period and at the end of 2018, this item includes the amount of PLN 7,364 thousand, representing the sum of goodwill of the subsidiary - T-Matic System amounting to PLN 3,029 thousand and negative equity attributable to non-controlling interests in T-Matic System amounting to PLN 4,335 thousand in connection with the finalised process of acquisition of T-Matic System by ARCUS S.A. (see current reports concerning the merger: 3/2019, 5/2019, 6/2019 and 7/2019).

5.17 Long-term liabilities

Long-term liabilities as at the end of the reported first half of 2019 amount to PLN 19 543 thousand and include, apart from provisions for liabilities and deferred tax also lease liabilities in the amount of PLN 1 026 thousand and trade liabilities in the amount of PLN 12 308 thousand.

Long-term liabilities as at the end of the reported first half of 2018 amount to PLN 20 211 thousand and include, apart from provisions for liabilities and deferred tax also lease liabilities in the amount of PLN 532 thousand and trade liabilities in the amount of PLN 13 457 thousand.



5.18 Borrowings and bank loans

The total debt of the Group on account of borrowings and bank loans as at 30 June 2019 amounted to PLN 6,122 thousand as compared to 4,937 thousand as at the end of 2018. 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 2019, a Dominant Company had an overdraft with a limit of PLN 6,000 thousand available until the end of September 2019 (as at the balance sheet date the amount of PLN 5 494 thousand was used). After the balance sheet date, the credit agreement was extended for another year. Additionally, the Company obtained a revolving credit facility for a period of 1 year for the concluded contracts with the limit of PLN 4,000 thousand; as at the date of publication of this report the amount of PLN 2,926 thousand was used.

In the reporting period a Dominant Company was a party to an agreement concluded in 2017 with 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 (long-term trade liabilities).

As at 30 June 2019, a subsidiary company - Arcus Systemy Informatyczne had an overdraft with a limit of PLN 750 thousand. As at the balance sheet date, the amount of PLN 131 thousand was used. On 1 July 2019, the Company signed an annex to the aforementioned agreement, extending the credit period until 29 August 2019, and then, on 26 August 2019 the Company signed another annex (effective from the date of signing) to the said agreement, extending the credit period until 30 December 2019 and reducing the limit to which the Company is entitled to PLN 125 thousand as from 29 November 2019. 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 381 thousand.

As at 30 June 2019, a subsidiary company – DocuSoft had a short-term credit with a limit of PLN 130 thousand (the amount of PLN 115 thousand was used).

As at 30 June 2019, 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 current period, the Dominant Company granted new loans to subsidiaries and non-associates in the amount of PLN 316 thousand and received repayment of previously granted loans in the amount of PLN 30 thousand.

In the reporting period, neither the Dominant Company nor any other Group companies were granted any other significant sureties, loans or guarantees, except for the above mentioned ones, apart from standard insurance guarantees, as well as guarantees of proper performance of contracts, which are related to tender processes.



5.19 Lease liabilities

Lease liabilities	As at 30.06.2019	As at 31.12.2018	As at 30.06.2018
Payable within 1 year	528	532	1 688
Payable within 1 to 5 years	1 026	747	568
Payable within the period over 5 years	0	0	0
Total	1 554	1 279	2 256

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 LIABILITIES				
	As at 30.06.2019		As at 31.12.2018	As at 30.06.2018
Trade liabilities	32 716		26 613	20 226
Tax and social security liabilities	3 846		4 639	2 986
Salaries and wages liabilities	773		1 170	1 396
Other (including lease liabilities)	940		1 303	3 766
Total	38 275		33 725	28 374
Aging of trade liabilities	up to 60 days	from 60 to 180 days	over 180 days	Total
<hr/>				
As at 30.06.2019				
Trade liabilities				31 494,0
Past-due liabilities	1 107	105	10,0	<u>1 222,0</u>
Trade liabilities - total				32 716,0
As at 30.06.2018				
Trade liabilities				19 177
Past-due liabilities	858	159	32	<u>1 049</u>
Trade liabilities - total				20 226



5.21 Receivables and liabilities in foreign currency

	Liabilities in PLN thousand		Receivables in PLN thousand	
	As at 30.06.2019	As at 31.12.2018	As at 30.06.2019	As at 31.12.2018
EUR	41 009	35 953	5 712	2 416
USD			46	4 331
PLN	10 779	11 941	51 369	57 652
Total	51 788	47 894	57 081	61 983

5.22 Dividends declared or paid

In the reporting period, the Issuer did not declare or pay the dividend for 2018. Other Group's companies did not declare or pay dividends.

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

After the balance sheet date, the Dominant Company signed an annex to the credit agreement extending the availability of the overdraft facility for another year and signed a new agreement on the revolving credit facility. As of 1 July 2019, the subsidiary company ASI obtained an extension of the overdraft facility until the end of 2019 (details in item 5.18 Borrowings and loans).

On 21 August 2019 the Dominant Company concluded an agreement with EGIDA IT SOLUTIONS with its registered office in Warsaw for delivery of multifunctional devices, according to which the Company delivered equipment for a total gross price of PLN 6,494 thousand until the date of publication of this report.

5.24 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.

Until the date of publication of this report, the merger of the Dominant Company with the subsidiary T-Matic Systems has not been registered (more information in item 8.8).



5.25 Contingent liabilities

Contingent liabilities

	As at 30.06.2019	As at 31.12.2018	As at 30.06.2018
Bill of exchange liabilities, including issued for:	21 416	23 570	26 250
Bank as a credit collateral	8 631	9 759	10 137
Insurance companies in respect of performance bond *	11 892	12 844	14 738
Contractors in respect of performance bond		250	565
Bank guarantees	893	717	810

* including insurance guarantee for Ergo Hestia in the amount of PLN 9.6 million related to the dispute with EOP

5.26 Capital management

The main objective of the Group's capital management is to maintain a good credit rating and secure capital ratios that would support the Group's operating activity and increase the value for its 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 the 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 30.06.2019	As at 31.12.2018	As at 30.06.2018
Interest-bearing loans and borrowings	6 122	4 937	7 164
Trade and other liabilities	51 788	47 894	45 145
Less cash and cash equivalents	201	1 802	1 066
Net debt	57 709	51 029	51 243
Equity attributable to shareholders of a Dominant Entity	35 177	36 907	40 980
Net equity and debt	92 886	87 936	92 223



5.27 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 30.06.2019		As at 31.12.2018	
	Fair value	Carrying value	Fair value	Carrying value
FINANCIAL ASSETS				
Loans granted	479	479	471	471
Trade receivables and other receivables	57 081	57 081	61 983	61 983
Cash and cash equivalents	201	201	1 802	1 802
FINANCIAL LIABILITIES				
Credit liabilities	6 122	6 122	4 937	4 937
Trade liabilities and other liabilities	51 788	51 788	47 894	47 894

5.28 Transactions with associates

TRANSACTIONS WITH ASSOCIATES				
	Sales to associates	Purchases from associates	Receivables from associates	Liabilities towards associates
Associate not subject to consolidation				
IH2019				
Michał Czeredys			203	
Piotr Golik	1	117		71
Marek Czeredys				41
Piotr Majewski	1	138		22
Kancelaria Radcy Prawnego M.Z.Czeredys			4	
ADD Polska	84		305	
Zeccer	19	4	12	1
IH2018				
Michał Czeredys			203	
Piotr Golik	2	135		69
ADD Polska		8	201	
Marek Czeredys				329
Piotr Majewski		141		

5.29 Disputes

In the report for 2018, the Issuer described in detail the course of the ongoing dispute with Energa Operator S.A. On 11 April 2019 a suit was filed with the Regional Court in Gdańsk, against Energa-Operator S.A., under which ARCUS S.A. and its subsidiary T-matic Systems S.A. claim from Energa the payment of the amount of PLN 4,7 million on account of additional works performed by T-matic for Energa in connection with three implementation agreements.

5.30 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 (tender 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.
-



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

<u>PROFIT AND LOSS ACCOUNT</u>			<u>01.01-30.06.2019</u>	<u>01.01-30.06.201</u>
	Note			
Sales revenues	8.1		60 032	51 205
Direct cost of sales	8.3		-45 147	-37 202
<u>Gross profit (loss) from sales</u>			<u>14 885</u>	<u>14 003</u>
Other operating income	8.4		222	218
Costs of sales	8.3		-11 655	-10 660
General administrative expenses	8.3		-3 699	-3 836
Other operating expenses	8.4		-562	-52
<u>Operating income (loss)</u>			<u>-809</u>	<u>-327</u>
Financial income	8.5		314	166
Financial costs	8.5		-366	-1 482
Result on financing activities			-52	-1 316
<u>Profit (loss) before tax</u>			<u>-861</u>	<u>-1 643</u>
Income tax:			22	317
Current income tax				
Deferred income tax			22	317
<u>Net profit (loss)</u>			<u>-839</u>	<u>-1 326</u>
EBITDA			137	609
Profit (loss) per share			-0,11	-0,18
Ordinary and diluted			-0,11	-0,18
<u>Statement of comprehensive income</u>			<u>01.01-30.06.2019</u>	<u>01.01-30.06.201</u>
	Note			
Net profit (loss) for the period			-839	-1 326
Comprehensive income for the period			-839	-1 326
Comprehensive income (loss) per share			-0,11	-0,18
Ordinary and diluted			-0,11	-0,18



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

<u>ASSETS</u>				
	<u>Note</u>	<u>As at 30.06.2019</u>	<u>As at 31.12.2018</u>	<u>As at 30.06.2018</u>
FIXED ASSETS				
Tangible assets		3 246	2 123	2 264
Intangible assets		3 717	4 126	3 965
Participating interests in subordinated entities		22 141	22 141	29 895
Loans granted		3 669	3 322	4 977
Financial assets held to maturity	8.9	0	0	8 201
Long-term receivables		12 938	11 026	7 070
Deferred income tax assets		4 783	4 761	4 142
Total		<u>50 494</u>	<u>47 499</u>	<u>60 514</u>
CURRENT ASSETS				
Inventories		19 939	11 751	22 171
Loans granted	8.8	480	469	462
Trade receivables and other receivables		39 037	42 625	33 874
Cash		29	910	274
Total		<u>59 485</u>	<u>55 755</u>	<u>56 781</u>
TOTAL ASSETS		109 979	103 254	117 295
<u>LIABILITIES</u>				
	<u>Note</u>	<u>As at 30.06.2019</u>	<u>As at 31.12.2018</u>	<u>As at 30.06.2018</u>
Equity				
Share capital	8.7	732	732	732
Share premium		38 024	38 024	38 024
Revaluation reserve		-18 475	-18 399	0
Retained earnings		29 686	30 526	27 499
Total		<u>49 967</u>	<u>50 884</u>	<u>66 255</u>
Long-term liabilities	8.10			
Deferred income tax reserve		5 440	5 440	3 992
Provisions for liabilities		399	399	322
Other long-term liabilities		13 446	13 958	16 477
Total		<u>19 285</u>	<u>19 797</u>	<u>20 791</u>
Short-term liabilities				
Trade liabilities and other liabilities	8.12	34 924	28 063	24 139
Other financial liabilities – credits		5 494	4 115	5 736
Provisions for liabilities		309	395	374
Total		<u>40 727</u>	<u>32 573</u>	<u>30 249</u>
TOTAL LIABILITIES		109 979	103 254	117 295



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

For the period from 1 January to 30 June 2019

	Share capital	Share premium	Retained earnings		Revaluation reserve	Total
As at 1 January 2019	732	38 024	30 526	-	18 398	50 884
Net profit	-	-	840	-	-	840
Merger with a subsidiary				-	77	77
Comprehensive income for the period	-	-	840	-	-	840
As at 30 June 2019	732	38 024	24 934	-	18 475	49 967

For the period from 1 January to 31 December 2018

	Share capital	Share premium	Retained earnings		Revaluation reserve	Total
As at 1 January 2018	732	38 024	28 825	-	-	67 582
Net profit/loss for the period			1 701			1 701
Comprehensive income for the period	-	-	1 701	-	-	1 701
Merger with a subsidiary				-	18 399	18 399
As at 31 December 2018	732	38 024	30 526	-	18 398	50 884

or the period from 1 January to 30 June 2018

	Share capital	Share premium	Retained earnings		Revaluation reserve	Total
As at 1 January 2018	732	38 024	28 825	-	-	67 582
Net profit	-	-	1 326	-	-	1 326
Comprehensive income for the period	-	-	1 326	-	-	1 326
As at 30 June 2018	732	38 024	27 498	-	-	66 255



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

STATEMENT OF CASH FLOWS

	01.01-30.06.2019	01.01-30.06.2018
Cash flows from operating activities		
Profit before tax	-862	-1 643
Adjustments	580	-2 671
Depreciation and amortisation	947	935
Interests	57	-51
Result on investing activities	-113	-94
Change in inventories	-8 189	-13 612
Change in receivables	1 631	19 139
Change in liabilities and reserves	6 262	-8 988
Other	-15	-
<u>Total</u>	<u>-282</u>	<u>-4 314</u>
Cash flows from investing activities		
Inflows	236	445
Disposal of intangible and tangible fixed assets	206	246
Repayment of loans	30	199
Outflows	-2 072	-2 254
Purchases of intangible and fixed tangible assets	-1 756	-745
Loans granted	-316	-1 509
Other	0	0
<u>Total</u>	<u>-1 836</u>	<u>-1 809</u>
Cash flow from financing activities		
Inflows	1 379	5 363
Borrowings and bank credits	1 379	5 360
Interests received		3
Outflows	-142	-189
Financial lease payments	-92	-142
Interests paid	-50	-47
<u>Total</u>	<u>1 237</u>	<u>5 174</u>
Change in cash	-881	-949
Cash at the beginning of the period	910	1 223
Cash at the end of the period	29	274



7 Information on the rules adopted for the purpose of preparation of the interim condensed separate financial statement for the first half of 2019

7.1 Basis for financial statement preparation

The financial statement hereof has been prepared for the period ended 30 June 2019. The comparative data cover the period from 1 January to 30 June 2018. 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" and contains only the disclosures required by applicable regulations that are material in the opinion of the Management Board.

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 2018 and new standards effective from 1 January 2019:

- 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.

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 an 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 2019.



8 Additional explanatory notes

8.1 Sales revenues

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

<u>Sales revenues (PLN thousand)</u>	01.01-30.06.2019	01.01-30.06.2018
Domestic sales	59 536	50 880
Foreign sales	496	325
<u>Total</u>	<u>60 032</u>	<u>51 205</u>

<u>Sales revenues (PLN thousand)</u>	01.01-30.06.2019	01.01-30.06.2018
Revenues from sales of services	14 660	12 841
Revenues from sales of goods	45 372	38 364
<u>Total</u>	<u>60 032</u>	<u>51 205</u>

8.2 Operating segments

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.

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.



Segment Data for the period from 01.01 to 30.06.2019	IT Segment	Other services Segment	Total
Total segment's revenues	49 716	10 317	60 033
Segment's result	3 667	-723	2 944
Unassigned costs	-	-	-3 753
Profit on operating activities	-	-	-809
Net financial revenues	-	-	-52
Profit before tax	-	-	-861
Income tax	-	-	22
Net profit for the financial year	-	-	-839
Assets and liabilities			
Segment's assets	68 808	14 279	83 087
Unassigned assets	-	-	26 953
Total assets	-	-	110 040
Segment's liabilities	40 644	8 434	49 078
Unassigned liabilities	-	-	60 962
Total liabilities	-	-	110 040

Segment Data for the period from 01.01 to 30.06.2018	IT Segment	Other services Segment	Total
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

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



8.3 Costs by nature

Costs by nature (PLN thousand)	01.01-30.06.2019	01.01-30.06.2018
Consumption of materials and energy	8 195	7 457
Third-party services	7 298	7 134
Taxes and fees	498	529
Remunerations	7 108	6 419
Employee benefits	1 401	1 351
Amortisation and depreciation	947	935
Other sundry expenses	849	725
Value of goods sold	34 205	27 147
<u>Total</u>	<u>60 501</u>	<u>51 697</u>
Change in inventories	-	-
Sales costs	11 655	10 660
General and administrative costs	3 699	3 836
Direct cost of sales	45 147	37 202

8.4 Other operating revenues and costs

Other operating revenues (PLN thousand)	01.01-30.06.2019	01.01-30.06.2018
Profit from the sales of fixed assets	113	94
Other	109	124
<u>Total</u>	<u>222</u>	<u>218</u>
Other operating costs (PLN thousand)	01.01-30.06.2019	01.01-30.06.2018
Loss on disposal of fixed assets		39
Revaluation of receivables	508	-
Other	54	13
<u>Total</u>	<u>562</u>	<u>52</u>



8.5 Financial revenues and costs

<u>Financial revenues (PLN thousand)</u>			
		01.01-30.06.2019	01.01-30.06.2018
Interests on bank deposits			1
Interests on loans granted		87	71
Other - including foreign exchange gains		227	94
<u>Total</u>		<u>314</u>	<u>166</u>

<u>Financial costs (PLN thousand)</u>			
		01.01-30.06.2019	01.01-30.06.2018
Interests		185	47
Other - including foreign exchange losses		181	1 435
<u>Total</u>		<u>366</u>	<u>1 482</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.

<u>Shareholding structure</u>			
	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

<u>Loans granted to Group's companies</u>			
	30.06.2019	31.12.2018	30.06.2018
Long-term loans granted	3 197	2 932	4 164
Interests on loans granted	472	389	813
Total	3 669	3 322	4 977
<i>including granted to:</i>			
T- matic Systems			669
DocuSoft	1 286	1 204	1 115
Durau/Limt	1 532	1 288	2 064
ASI	850	830	1 129

In connection with the ongoing process of merger of ARCUS S.A. with its subsidiary T-Matic Systems Sp. z o.o. (see current reports containing the merger plan: 3/2019 and 5/2019 as well as 6/2019 and 7/2019), all assets and liabilities related to T-Matic Systems, including the loan granted to T-Matic in the amount of PLN 532 thousand, were recognized in the revaluation reserve.

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) as at 30 June 2018. 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 8,201 thousand. Bonds are generally measured at amortised cost, but accrued interest is subject to a prudent approach and, as a result, is not recognised in the financial statements. In connection with the ongoing process of merger of ARCUS S.A. with T-Matic, the value of bonds was recognized in the revaluation reserve as at the end of the reporting period and as at the end of 2018.

8.10 Long-term liabilities

Long-term liabilities as at 30 June 2019 amounted to PLN 19 285 thousand and included, apart from provisions for liabilities and deferred tax, lease liabilities in the amount of PLN 995 thousand and long-term trade liabilities in the amount of PLN 12 308 thousand.

Long-term liabilities as at 31 December 2018 amounted to PLN 19 797 thousand and included, apart from provisions for liabilities and deferred tax, lease liabilities in the amount of PLN 501 thousand and long-term trade liabilities in the amount of PLN 13,457 thousand.



8.11 Borrowings and bank loans

As at 30 June 2019, a Dominant Company had an overdraft with a limit of PLN 6,000 thousand available until the end of September 2019 (as at the balance sheet date the amount of PLN 5 494 thousand was used). After the balance sheet date, the credit agreement was extended for another year. Additionally, the Company obtained a revolving credit facility for a period of 1 year for the concluded contracts with the limit of PLN 4,000 thousand.

In the reporting period a Dominant Company was a party to an agreement concluded in 2017 with 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.

As at 30 June 2019, the Company had an insurance guarantee related to the dispute with EOP secured by a property guarantee granted by the majority shareholder.

In the current period, the Dominant Company granted new loans to subsidiaries and non-associates in the amount of PLN 316 thousand and received repayment of previously granted loans in the amount of PLN 30 thousand.

In the reporting period, the Company was not granted any other significant sureties, loans or guarantees, except for the above mentioned ones, apart from standard insurance guarantees, as well as guarantees of proper performance of contracts, which are related to tender processes.

8.12 Lease liabilities

<u>Lease liabilities</u>	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2018</u>
Payable within 1 year	491	632	1 541
Payable within 1 to 5 years	995	501	485
Payable within the period over 5 years	0	0	0
Total	1 486	1 133	2 026

8.13 Contingent liabilities

<u>Contingent liabilities (PLN thousand)</u>	<u>30.06.2019</u>	<u>31.12.2018</u>	<u>30.06.2018</u>
Bill of exchange liabilities, including issued for:	19 395	20 032	21 515
Bank as a credit collateral	7 500	7 500	7 500
Insurance companies in respect of performance bond *	11 220	11 765	13 434
Bank guarantees	675	717	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 2018)



8.14 Transactions with associates

Transactions with associates (PLN thousand)

	Sale	Purchase	Receivables	Liabilities
Associate				
IH2019				
T-Matic Systems	50		737	
DocuSoft	3	41	59	3
Durau	4	3	3	
ASI	228	263	73	153
Geotik	118	2	39	3
Zeccer	19	4	12	1
Michał Czeredys			203	
Kancelaria Radcy Prawnego M.Z.Czeredys			4	
Receivables in respect of T-Matic Systems bonds			9 385	
Loan granted to T-Matic Systems			532	
Loan granted to DocuSoft			1 286	
Loan granted to Durau			1 532	
Loan granted to ASI			844	
IH2018				
T-Matic Systems	93	17	659	
DocuSoft		44	55	
Durau	7	17	4	
ASI	328	1 107	76	
Geotik	130	9	149	
Michał Czeredys			203	
Receivables in respect of T-Matic Systems bonds			8 901	
Loan granted to T-Matic Systems			669	
Loan granted to DocuSoft			1 115	
Loan granted to Durau			2 064	
Loan granted ASI			1 129	

8.15 Disputes

In the report for 2018, the Company described in detail the course of the ongoing dispute with Energa Operator S.A. On 11 April 2019 a suit was filed with the Regional Court in Gdańsk, against Energa-Operator S.A., under which ARCUS S.A. and its subsidiary T-matic Systems S.A. claim from Energa the payment of the amount of PLN 4,7 million on account of additional works performed by T-matic for Energa in connection with three implementation agreements.



This interim condensed separate financial statement for the period from 1 January to 30 June 2019 has been approved for publication and signed by the Management Board of ARCUS S.A. on 27 September 2019.

Warsaw, 27 September 2019

KATARZYNA
BEATA
BALCEROWICZ

Elektronicznie podpisany
przez KATARZYNA BEATA
BALCEROWICZ
Data: 2019.09.27 10:23:27
+02'00'

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

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

.....
Katarzyna Balcerowicz
CFO/Chief Accountant



REPORT
ON BUSINESS ACTIVITIES OF ARCUS GROUP
FOR THE FIRST HALF OF 2019



1 REPORT ON BUSINESS ACTIVITIES OF ARCUS GROUP FOR THE FIRST HALF OF 2019

1.1 Composition of the Capital Group

As at 30 June 2019 and as at the date of financial statement hereof preparation, 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. in which ARCUS S.A. holds 53% of shares,
- Subsidiary undertaking - T-matic Systems S.A. in which ARCUS S.A. holds 100% of shares,
- Subsidiary undertaking - Geotik Sp. z o.o. in which ARCUS S.A. holds 66.7% of participating interests,
- Subsidiary undertaking – DocuSoft Sp. z o.o. in which ARCUS S.A. holds 86.96% of participating interests,
- Subsidiary undertaking – Durau Sp. z o.o. (84.1%) and its subsidiary undertaking - LMT Sp. z o.o. incorporated in 2016,
- Zeccer Sp. z o.o. – 15% of participating interests.

ARCUS S.A. - dominant entity with its registered office in Warsaw at 5/7 Kolejowa Street, registered with the National Court Register of the District Court for the City of Warsaw, 12th Commercial Division under the number KRS 0000271167. The core business of ARCUS S.A. includes sales, lease and maintenance of document management systems, including printing and copying equipment of the Japanese company Kyocera Document Solutions and third-party and proprietary software, mass correspondence management systems and integration of ICT solutions (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 National Court Register of the District Court for the City of Lublin-Wschód in Świdnik, 6th Commercial Division under the number KRS 0000031806. The company provides consultancy, implementation and maintenance services in the field of Enterprise Resource Planning (ERP) to public institutions. Satore Sp. z o.o. is ASI company's affiliated undertaking. Satore Sp. z o.o. does not perform any business activities.

T-matic Systems S.A. („T-matic”) with its registered office in Warsaw at 5/7 Kolejowa Street, registered with the National Court Register of the District Court for the City of Warsaw, 12th Commercial Division under the number KRS 0000444112. The core business of T-matic involves provision 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 the National Court Register of District Court for the City of Warsaw, 12th Commercial Division 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 the National Court Register of District Court for the City of Bielsko-Biała, 7th Commercial Division 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 National Court Register of the District Court for the City of Wrocław, Commercial Division 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. A direct subsidiary of Durau is LMT Sp. z o.o., in which Arcus holds 39% of shares (since December 2018).



Zeccer Sp. z o.o. – with its registered office in Wrocław, registered with the National Court Register of the District Court for the City of Wrocław, Commercial Division under the number KRS 0000425365. The Company offers document management services that fit into the global sharing economy trend. These services include, among others, enabling individual clients to print and copy documents in public places for a fee.

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

In the reporting period there were no changes in the Group's structure or in the structure of the Dominant Entity. As at the date of publication of this report, the merger of the Dominant Entity with the subsidiary T-Matic Systems S.A. has not been registered (see current reports containing the merger plan: 3/2019 and 5/2019 as well as 6/2019 and 7/2019).

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 2019.

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 managing and supervising 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 2019 and as at the date of this interim report, except for the 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 2018, the Company described in detail the course of the ongoing dispute with Energa Operator S.A. On 11 April 2019 a suit was filed with the Regional Court in Gdańsk, against Energa-Operator S.A., under which ARCUS S.A. and its subsidiary T-matic Systems S.A. claim from Energa the payment of the amount of PLN 4,7 million on account of additional works performed by T-matic for Energa in connection with three implementation agreements.

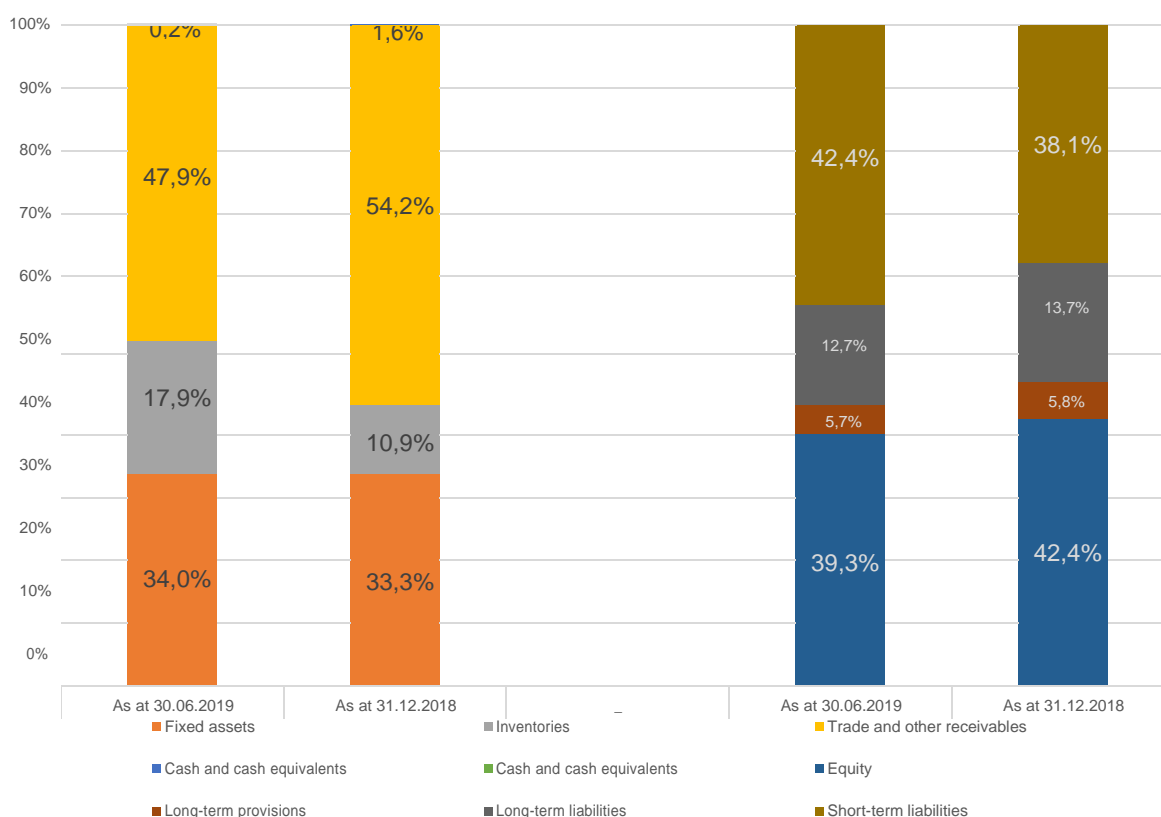
7 Sureties, bank loans or borrowings and guarantees

In the first half of 2019, 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

The balance sheet total of ARCUS S.A. Group as at 30 June 2019 amounted to PLN 106,546 thousand and was higher than the balance sheet total as at 31 December 2018 by PLN 2,983 thousand (2.9%). Current assets amounting to PLN 66,057 thousand (62.0% share in total assets) represented the most significant item in the balance sheet. The value of fixed assets increased as compared to the end of 2018 by PLN 2,459 thousand and relates to lease receivables in connection with the increase in the value of equipment put into long-term use. The main component of the Group's current assets were short-term receivables amounting to PLN 44,067 thousand and inventories amounting to PLN 21,310 thousand. The value of inventories increased in relation to the end of 2018 due to the necessity to stock up for the needs of contracts execution, including due to an increase in the sale of consumables. The financing of ARCUS Group's operations in the first half of 2019 was still based on equity and debt in the form of bank loans and trade credit. As at 30 June 2019, the equity amounted to PLN 41,826 thousand, compared to PLN 43,898 thousand at the end of 2018 (-4.7%). The liabilities in relation to the balance as at the last day of 2018 increased by PLN 5,067 thousand to the amount of PLN 58,690 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.

<u>_Selected balance sheet items_</u>				
	<u>As at 30.06.2019</u>	<u>Share % IH2019</u>	<u>As at 31.12.2018</u>	<u>Share % 2018</u>
Fixed assets	40 489	38,0%	38 030	36,7%
Current assets	66 057	62,0%	65 533	63,3%
Inventories	21 310	20,0%	12 497	12,1%
Trade and other receivables	57 081	53,6%	61 983	59,9%
Cash and cash equivalents	201	0,2%	1 802	1,7%
Total assets	106 546		103 563	
Equity	41 826	39,3%	43 898	42,4%
Long-term provisions	6 030	5,7%	6 042	5,8%
Liabilities	58 690	55,1%	53 623	51,8%
- long-term	13 513	12,7%	14 169	13,7%
- short-term	45 177	42,4%	39 454	38,1%
* trade and other	38 275	35,9%	33 725	32,6%
Total liabilities	106 546		103 563	

8.1 Employment

Employment in the Group at the end of the reporting period amounted to 214 persons, whereas at the end of the comparative period it was higher and amounted to 227 persons.

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 (tender 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 methods of risk management, including financial risk management, applied by the Companies forming the ARCUS Group are consistent with the principles set forth in the financial statement of the Group for 2018.

12 Capital management

Capital management is aimed at maintaining the ability to continue operations and carry out investments in order to generate the desired return for shareholders. The level of equity to balance sheet total and the ratio of debt, loans and finance lease to EBITDA are monitored on an ongoing basis.

CAPITAL MANAGEMENT			
	As at 30.06.2019	As at 31.12.2018	As at 30.06.2018
Interest-bearing loans and borrowings	6 122	4 937	7 164
Trade and other liabilities	51 788	47 894	45 145
Less cash and cash equivalents	201	1 802	1 066
Net debt	57 709	51 029	51 243
Equity attributable to shareholders of a Dominant Entity	35 177	36 907	40 980
Net equity and debt	92 886	87 936	92 223



13 Statements of the Management Board

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

- 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.
- Doradca Auditors Sp. z o.o. (Limited Liability Company) with its registered office at 212 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 2019, 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 2019 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.

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 27 September 2019.

The condensed separate interim financial statement approved for publication and signed by the Management Board of a Dominant Entity on 27 September 2019, is published together with the interim condensed consolidated financial statement.

Warsaw, 27 September 2019

Michał
Czeredys
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Elektronicznie podpisany
przez Michał Czeredys
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Michał Czeredys
President of the Management Board

Rafał
Czeredys

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podpisany przez
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Rafał Czeredys
Member of the Management Board