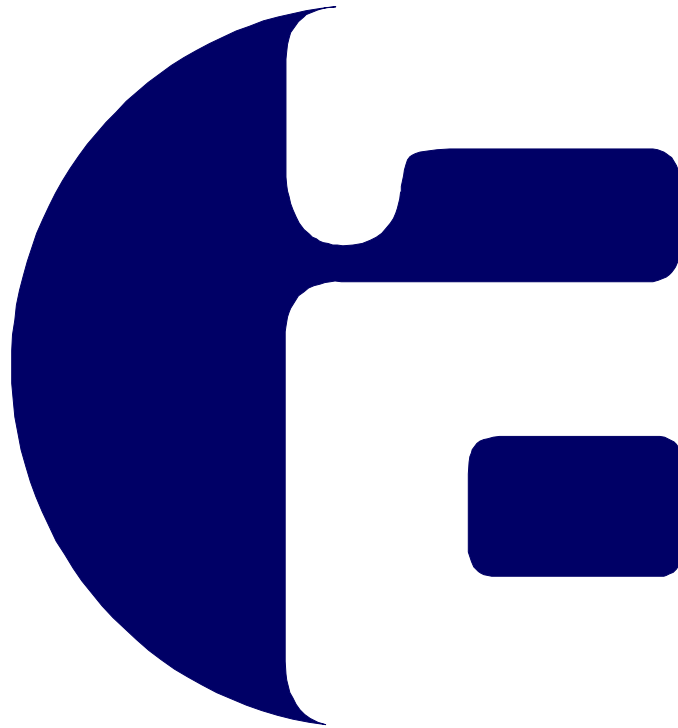


ARCUS Spółka Akcyjna

[www.arcus.pl](http://www.arcus.pl)



**Management Board's report  
on activities of ARCUS S.A.  
in 2015**

Warsaw, 21 March 2016

## Table of contents

<b>1</b>	<b>Key information.....</b>	<b>4</b>
1.1	Management and Supervisory Boards	4
<b>2</b>	<b>Changes in the number of the issuer's shares, or share options, owned by the members of the management or supervisory bodies .....</b>	<b>6</b>
<b>3</b>	<b>According to the knowledge of the Company - any agreements which may potentially result in changes in the proportion of shares held by existing shareholders .....</b>	<b>6</b>
<b>4</b>	<b>Information concerning acquisitions of own shares .....</b>	<b>7</b>
<b>5</b>	<b>Description of the Issuer's major domestic and foreign investments (in securities, financial instruments, intangibles, and real estate).....</b>	<b>7</b>
<b>6</b>	<b>Discussion of the results of the company in 2015, and description and assessment of factors and unusual events having an impact on operating result for the financial year .....</b>	<b>7</b>
<b>7</b>	<b>Material events having a significant impact on ARCUS S.A. operations and financial results during the reporting period or the influence of which is possible in the coming years .....</b>	<b>12</b>
<b>8</b>	<b>Risk factors associated with business operations of the company .....</b>	<b>12</b>
<b>9</b>	<b>Risk factors associated with shares.....</b>	<b>13</b>
<b>10</b>	<b>Information on key products, goods and services .....</b>	<b>14</b>
<b>11</b>	<b>Suppliers and clients of the Company.....</b>	<b>16</b>
<b>12</b>	<b>Significant agreements.....</b>	<b>16</b>
<b>13</b>	<b>Information on the most significant achievements within the field of research and development .....</b>	<b>17</b>
<b>14</b>	<b>Information on environment-related issues .....</b>	<b>17</b>
<b>15</b>	<b>Changes in the organizational or capital relations with other entities .....</b>	<b>17</b>
<b>16</b>	<b>Information on significant transactions concluded by the issuer or its subsidiaries on conditions other than arm's length .....</b>	<b>18</b>
<b>17</b>	<b>Sureties and credits or loans and guarantees received or granted during the financial year .....</b>	<b>18</b>
<b>18</b>	<b>Differences between financial results disclosed in the annual statement and published earlier forecasts for 2015 .....</b>	<b>19</b>
<b>19</b>	<b>Evaluation of management of financial resources of the Company .....</b>	<b>19</b>
<b>20</b>	<b>Information on financial instruments .....</b>	<b>19</b>
<b>21</b>	<b>Changes in basic management procedures applied by the issuer .....</b>	<b>20</b>
<b>22</b>	<b>Feasibility of investment plans.....</b>	<b>20</b>
<b>23</b>	<b>Description of external and internal factors significant for the development of the company and description of the perspectives for the future development of the company with consideration of market strategy .....</b>	<b>21</b>
<b>24</b>	<b>Description of events significantly affecting the issuer's operations that occurred during the financial year, after the balance sheet date and until the date of the financial statement preparation .....</b>	<b>21</b>
<b>25</b>	<b>Current and expected financial situation of the Issuer .....</b>	<b>21</b>
<b>26</b>	<b>Agreements concluded between the company and its managing persons, which provide for compensation in the event of a given person resigning or being removed from his or her position without a good reason, or being removed as a result of the company being merged into another company.....</b>	<b>21</b>
<b>27</b>	<b>Value of remuneration, bonuses or benefits payable to company's managing and supervisory persons ...</b>	<b>22</b>

<b>28</b>	Information on the supervision of employee stock option plans .....	<b>22</b>
<b>29</b>	Proceedings pending before the court, a respective body for arbitration proceedings or a public administration body .....	<b>22</b>
<b>30</b>	Information on the agreement and remuneration of the Company's qualified auditor .....	<b>25</b>
<b>31</b>	Statement on compliance with corporate governance principles in 2015 .....	<b>25</b>

## 1 Key information

### ARCUS S.A. – basic data

<b>Company</b>	ARCUS S.A.
<b>Registered office/address:</b>	Kolejowa 5/7 St., 01-217 Warsaw
<b>Telephone no:</b>	+ 48 22 536 09 00
<b>Fax:</b>	+ 48 22 831 70 43
<b>E-mail:</b>	arcus@arcus.pl
<b>www:</b>	www.arcus.pl

### 1.1 Management and Supervisory Boards

#### Management Board

As at the date of preparation of this financial statement, the Management Board was composed of the following persons:

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

The Supervisory Board, at its meeting on 21 January 2016, appointed Mr. Rafał Czeredys to the position of Member of the Management Board.

As at 31 December 2015, the Management Board was composed of the following persons:

- Michał Czeredys – President of the Management Board,
- Michał Łotoszyński – Vice-President of the Management Board.

The term of office of Mr. Marek Multan expired on 23 June 2015. The Supervisory Board, at its meeting on 30 July 2015, appointed Mr. Michał Łotoszyński to the position of Vice-President of the Management Board.

As at 1 January 2015, the Management Board was composed of the following persons:

- Michał Czeredys – President of the Management Board,
- Marek Multan – Vice-President of the Management Board.

#### Supervisory Board

According to ARCUS S.A. Articles of Association, the Company's Supervisory Board shall be composed of 5 to 10 members.

As at 1 January 2015, the Supervisory Board was composed of the following persons:

- Marek Czeredys – Chairman of the Supervisory Board,
- Jolanta Grus – Member of the Supervisory Board,
- Michał Stoniewski – Member of the Supervisory Board,
- Sławomir Jakszuk – Member of the Supervisory Board,
- Tomasz Pelc – Member of the Supervisory Board.

The Supervisory Board in the composition as set forth below, was appointed by the Ordinary General Meeting of Shareholders on 23 June 2015.

- Marek Czeredys – Chairman of the Supervisory Board,
- Tomasz Franciszek Pelc – Member of the Supervisory Board,
- Tomasz Konewka – Member of the Supervisory Board,
- Krzysztof Franciszek Przybył – Member of the Supervisory Board,
- Bogusław Wasilewko – Member of the Supervisory Board,
- Lech Lechowski – Member of the Supervisory Board.

On 31 December 2015, the Chairman of the Supervisory Board and the President of the Management Board received the resignation of Mr. Tomasz Pelc from his position as Member of the Supervisory Board (Current Report No 26/2015).

As at 31 December 2015 and as at the date of preparation of this financial statement, the Supervisory Board was composed of the following persons:

- Marek Czeredys – Chairman of the Supervisory Board,
- Tomasz Konewka – Member of the Supervisory Board,
- Krzysztof Franciszek Przybył – Member of the Supervisory Board,
- Bogusław Wasilewko – Member of the Supervisory Board,
- Lech Lechowski – Member of the Supervisory Board.

### The share capital of the Company and shareholding structure

In accordance with decisions of the General Meeting of Shareholders, in 2014 the share capital of ARCUS S.A. was decreased by PLN 7 515.70 and currently amounts to PLN 732 000.00 and is divided into 7 320 000 bearer ordinary shares (D-series shares), of nominal value of PLN 0.10 each, conferring the right to 7 320 000 votes. All shares are admitted to public trading on the Warsaw Stock Exchange.

### Shareholding structure of ARCUS S.A. as at 31 December 2015 and 21 March 2016 (according to the best knowledge of the Management Board)

Shareholder	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. <sup>(1)</sup>	4 800 000	480 000	65,6%
Other	2 520 000	252 000,00	34,4%
<b>Total</b>	<b><u>7 320 000</u></b>	<b><u>732 000,00</u></b>	<b><u>100,0%</u></b>

<sup>(1)</sup> entity under the control of Mr. Marek Czeredys, Michał Czeredys and Rafał Czeredys.

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

On 20 June 2013, under the Resolution No 12 the Ordinary General Meeting of Shareholders decided to redeem the shares held by Arcus S.A. and to decrease the share capital. In accordance with Art. 456 of the Commercial Companies Code, the Company started convocation proceedings, which were completed in the 4th quarter of 2013 - no objections were raised by the creditors. On 20 June 2014, the Annual General Meeting of Shareholders Resolution on the basis of the Resolution No 20, decided on the conversion of all existing shares of A, B and C series into D series shares, and on the basis of the Resolution No 21 on redemption of 75 157 shares, which was confirmed by the District Court in September 2014.

## 2 Changes in the number of the issuer's shares, or share options, owned by the members of the management or supervisory bodies

To the best knowledge of the Management Board, apart from information presented in the table above, as at 1 January 2015, 31 December 2015 and as at the day of publication of the report hereof, members of the Supervisory Board and the Management Board did not hold shares of ARCUS S.A. The table below presents the holding of shares by Members of the Supervisory Board and by the Company's Shareholders in Company's related entities as at 31 December and as at the day of the report hereof preparation.

Holding of shares by Members of ARCUS S.A. Supervisory Board in Company's related entities

Name	Entity	Number and nominal value of shares as on 31 December 2015	Number and nominal value of shares as on 21 March 2016
Marek Czeredys	ADD Polska Sp. z o.o. Sp. Komandytowa (Limited Liability Company / Limited Partnership)	PLN 10 thousand / commendam sum PLN 20 thousand	PLN 10 thousand / commendam sum PLN 20 thousand
Marek Czeredys	ZAKŁAD DOŚWIADCZALNY INSTYTUTU ZOOTECHNIKI MEŁNO Sp. z o.o. (Limited Liability Company)	6 088 shares of value of PLN 6 088 thousand / 52.03% of share capital	6 088 shares of value of PLN 6 088 thousand / 52.03% of share capital
Marek Czeredys	ADD Polska Sp. z o.o. (Limited Liability Company)	PLN 51,5 thousand / 100% of share capital	PLN 51,5 thousand / 100% of share capital
Marek Czeredys	T-matic Systems S.A. (Joint Stock Company)	322.650 shares of value of PLN 322 thousand / 25.3% of share capital	322.650 shares of value of PLN 322 thousand / 25.3% of share capital
Rafał Czeredys	Polmag Sp. z o.o. (Limited Liability Company)	13 200 shares of value of PLN 6 600 thousand / 73.3% of share capital	13 200 shares of value of PLN 6 600 thousand / 73.3% of share capital

Other members of the Supervisory Board or the Management Board of ARCUS S.A., according to the best knowledge of the Management Board, do not hold shares in Company's related entities.

Members of the Supervisory Board hold shares or perform functions in the organizational bodies of the following related entities:

- Mr. Sławomir Jakszuk is a Partner in a Law Firm (Prof. Marek Wierzbowski i Partnerzy – Adwokaci i Radcowie Prawni);
- MMR Invest S.A., and thereby Arcus S.A. are controlled by Mr. Marek Czeredys, Mr. Michał Czeredys and Mr. Rafał Czeredys.

## 3 According to the knowledge of the Company - any agreements which may potentially result in changes in the proportion of shares held by existing shareholders

As at 31 December 2015, as well as at the date of the report hereof preparation, the Company is not aware of any agreements potentially resulting in changes in the proportion of shares held by existing shareholders.

## 4 Information concerning acquisitions of own shares

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

On 20 June 2013, under the Resolution No 12 the Ordinary General Meeting of Shareholders decided to redeem the shares held by Arcus S.A. and to decrease the share capital. In accordance with Art. 456 of the Commercial Companies Code, the Company started convocation proceedings, which were completed in the 4th quarter of 2013 - no objections were raised by the creditors. On 20 June 2014, the Annual General Meeting of Shareholders Resolution on the basis of the Resolution No 20, decided on the conversion of all existing shares of A, B and C series into D series shares, and on the basis of the Resolution No 21 on redemption of 75 157 shares, which was confirmed by the District Court in September 2014.

## 5 Description of the Issuer's major domestic and foreign investments (in securities, financial instruments, intangibles, and real estate)

In 2015, no capital investments were made apart from those presented in the report hereof. During the financial year, ARCUS S.A. sold all shares of TAURON PE.

## 6 Discussion of the results of the company in 2015, and description and assessment of factors and unusual events having an impact on operating result for the financial year

In 2015, ARCUS S.A. generated PLN 141.3 million of revenues which marks a growth of 11.88% as compared to 2014 (126.3 million). The profitability of ARCUS S.A. according to gross profit on sales increased from 22% in 2014 to 23% in 2015.

The increase in revenues and a simultaneous increase in margin were the result of several factors, including:

- increase in sales of goods and services through higher-profitability distribution channels,
- intensification of the effectiveness of marketing and sales activities aimed at acquiring new customers and contracts,
- elimination of low-profitability contracts and reduction of participation in tenders, for which the risk of incurring penalties for failure to implement the execution requirements was disproportionately high in relation to the expected margin,
- limitation of sales of low-margin goods in the second half of 2015,
- optimization of procurement policy and stock management.

The main reasons for a decrease in the financial performance may include:

- recognition of impairment losses on assets, including inventory and receivables,
- recognition of a write-down as a result of estimating the fair value of a financial asset – Arcus Kazakhstan,
- an increase in financial expenses as a result of non-compliance in 2015 with credit agreement's covenants,
- loss on sales of Tauron shares,
- negative foreign exchange differences PLN / EUR.

In 2015, after verification of the existing sales strategy ARCUS S.A. recognized as justified the further development of the Company in terms of current business operations, including sales of goods and services with consideration of one-off sales transactions, lease contracts and contracts for services associated with processing and workflow of documents.

Furthermore, the strategy of developing local sales and service channels initiated in prior periods has enabled the Company to participate in national-scale contracts. This allowed for the execution of orders for medium and large customers, for whom the requirements in terms of additional services would be possible to fulfill only through the local structure of the company.

The Company is constantly expanding its network of commercial and service partners, thank to which it may provide the services to the most demanding clients of a very high SLA level. As at the balance sheet day, Arcus S.A. in cooperation with its own branches and partners, may perform the most demanding orders on the territory of Poland, without a significant risk of incurring losses due to the lack of infrastructure capacity for implementation of contractual requirements of customers.

The current strategy in terms of specialization and segmentation of the market involves offering of the specific assortment groups through individual companies being a part of ARCUS Group. The following shall be classified to main assortment groups:

- printers and MFP devices,
- inserters and sorters,
- IT software,
- IT equipment,
- measuring devices,
- other.

The first two of mentioned groups: Printers and MFP Devices and Inserters and Sorters are in the center of key operations of ARCUS S.A. – a Group's dominant company controlling other entities through shares held. The assortment classified to IT Software category is being offered by two companies: Arcus Systemy Informatyczne and DocuSoft and applies to ERP class software and document and information management systems. IT Equipment group covers mainly the activities in the field of trade and implementation of IT technical infrastructure. Measuring Devices group applies to telemetry and telematics services provided by T-matic Systems. Activities associated with brokering of energy and performed by Durau company, form the last assortment group – "other".

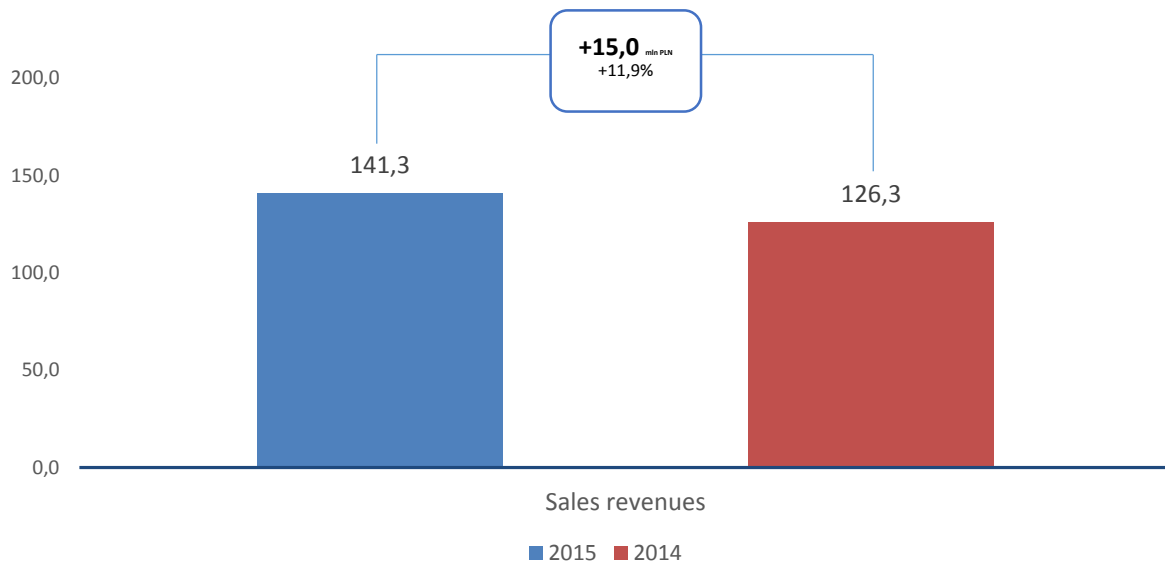
From the point of view of separate financial statements, ARCUS S.A. may indicate two assortment groups as its specialization area:

- printers and MFP devices - Kyocera Document Solutions, own solutions and business partners' systems with software solutions supporting the management of this equipment,
- inserters and sorters – offer of Pitey Bowes other non-related entities.

In 2015, ARCUS S.A. generated PLN 141.3 million of revenues which marks a growth of 11.9% as compared to 2014 (126.3 million).



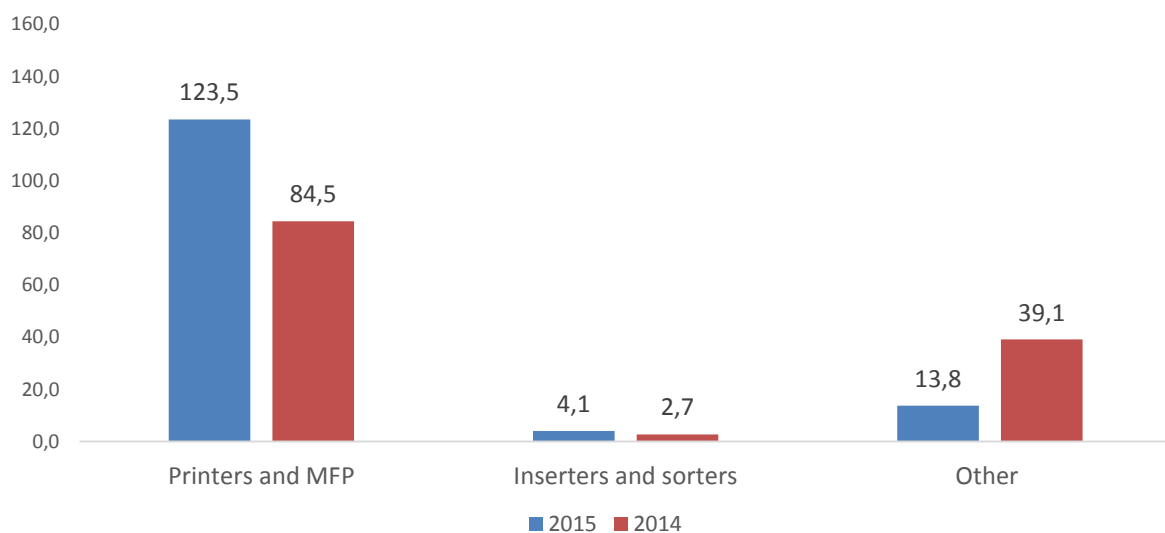
### Total sales revenues 2015 – 2014 (PLN million)



In 2015, Arcus S.A. executed successfully 3 sales targets:

- increase in sales of printers and MFP devices including Kyocera Document Solutions,
- increase in sales of inserters and sorters, including Pitney Bowes,
- increase in total sales and reduction of the share and nominal value of „other” assortment group (a group of low average trade margins).

### Sales structure according to assortment 2015-2014



Analysis of amounts generated in 2015 confirms the importance of measures undertaken by the Company in 2015.

The total revenues of this segment increased by PLN 15.0 million while withdrawing from trade in "other" group at the amount of PLN 25.3 million (reduction by 64.8%). In the historically most important assortment group, that is Printers and MFP group, a growth by PLN 39.0 million (+46.2%) was recorded. The last group – inserters and sorters – generated a growth by PLN 1.3 million (+48.4%).

As a result of changes in the sales structure and systematic optimization of costs associated with operated business, all profitability ratios improved significantly compared to previous year.

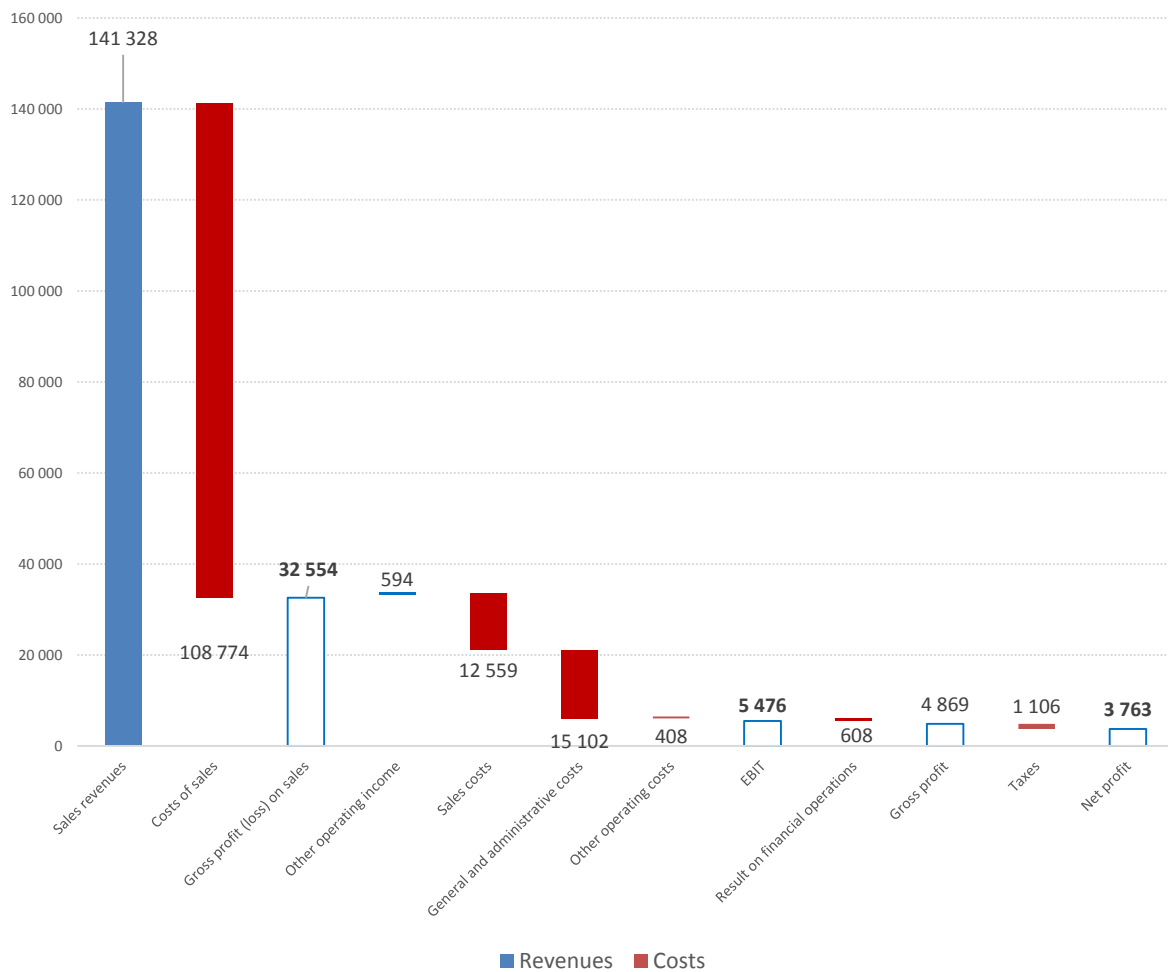
This strategy has also resulted in strengthening the company's market position in key segments of operation as well as in consolidating the negotiating procedure towards largest suppliers.

SELECTED FINANCIAL DATA		PLN THOUSAND		EUR THOUSAND	
		year ended 31.12.2015	year ended 31.12.2014	year ended 31.12.2015	year ended 31.12.2014
I	Sales revenues	141 328	126 325	33 772	30 154
II	Profit (loss) on operating activities	5 476	-6 788	1 309	-1 620
III	Profit (loss) before tax	4 869	-7 116	1 163	-1 699
IV	Net profit (loss)	3 763	-3 958	899	-945
V	EBITDA	7 349	-4 639	1 756	-1 107
VI	Total comprehensive income	4 029	-3 767	963	-899
VII	Net Cash Flows from operating activities	-6 291	9 328	-1 503	2 227
VIII	Net Cash Flows from investing activities	-1 303	-5 042	-311	-1 204
IX	Net Cash Flows from financing activities	1 867	-3 504	466	-836
X	Change in cash	-5 728	782	-1 369	187
XI	Net profit (loss) and diluted net profit (loss) per share	0,51	-0,54	0,12	-0,13

The Company by executing its consistent policy of sales, service and administration structures development and despite significant expansion of business operations, has restored its ability to generate positive economic results.

The importance of the results achieved in 2015 should be considered particular in relation to a profit on core business and the ability to present the net profit.

### The impact of revenues and costs on the financial results of Arcus S.A. in 2015



In 2015, the balance sheet total amounted to PLN 112 million and was by PLN 6.8 million higher than the result recorded at the end of 2014 (growth of 6.4% y/y). Current assets of value amounting to PLN 74.8 million accounted for 66.7% of the balance sheet total. Like a year before, the financing of ARCUS S.A. business activities in 2015 was based mainly on the equity capital and trade credit.

The total of trade and other liabilities amounted to PLN 28.4 million towards an adequate value of trade receivables amounting to PLN 25.7 million.

## Employment

In 2015, the level of employment in the Company did not increase nominally. The increase concerned only the Service Departments, which reflects the Company's strategy being strongly focused on long-term maintenance of margins and increasing competitive advantage, mainly through building the added value in the form of wide range of services.

	As at 31.12.2015	As at 31.12.2014
Employment	149	155

## 7 Material events having a significant impact on ARCUS S.A. operations and financial results during the reporting period or the influence of which is possible in the coming years

In 2015, there were no one-off events that would have had a significant impact on the results of this period, as well as might have significantly affected the results of subsequent years, however, the Management Board draws attention to the following issues which occurred in 2015:

- A growth is observed with respect to the interest of markets in lease services due to reduction of the share of sales contracts. The market trend is positive for ARCUS S.A. as it allows the provision of packages of additional services and achieving greater revenues thanks to the experience gained by ARCUS S.A. over the years. However, it must be also noted that this trends leads to higher capitalintensiveness of business operations. As a consequence, Arcus S.A. with limited external financing being the result of the financial loss for 2014, could not take full advantage of the trade potential in 2015,
- in terms of cooperation with Kyocera as a business partner, ARCUS S.A. reached a record level of turnover in the financial year of Kyocera (April 2015 – March 2016) and achieved a status of the largest independent recipient in EMEA countries,
- in April 2015, the Extraordinary General Meeting of Shareholders of T-matic Systems S.A. decided to increase the share capital by the amount of PLN 340 thousand through the issuance of 340 000 shares with a total value of PLN 3.06 million to be subscribed for by Arcus S.A. Following the acquisition of mentioned shares, ARCUS S.A. shareholding in T-matic Systems S.A. increased to 74.7% in the share capital and 67.6% in the total number votes,
- in March 2015, another year in a row, ARCUS S.A. was granted by the credit information agency Dun&Bradstreet a Certificate of Business Credibility,
- in the period between the balance sheet date and the date of preparation of this annual report, there were no other events that could materially affect the assessment of the financial situation of Arcus S.A. as at 31.12.2015.

## 8 Risk factors associated with business operations of the company

The activities of the Issuer 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, which affects the Company's clients' willingness to invest in offered products and services, which consequently may have a negative impact on generated revenues and profits,

- risk associated with technological changes in the sector and the development of new technologies, and thus relatively short lifecycle of IT solutions, equipment and technologies and following from this fact - need for constant monitoring of technological changes,
- risk concerning performance of operations in a market niche associated with correspondence and document lifecycle management and risk concerning potential competitors which may negatively affect the financial results,
- 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 for generating revenues by the Group. The termination of agreement by one of the main suppliers or any amendments in terms of supplies realization may therefore result in a significant decline in sales and financial results of the Company,
- risk associated with dependence on clients resulting from the fact that the Company 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. Therefore, there is a risk that the loss of some clients from the group of the largest clients of the Company, may adversely affect the level of sales revenues and financial performance,
- exchange rate risk associated with volatility on global financial markets, having the effect that Company, as an importer in the EUR and USD zone, is exposed to potentially higher than projected costs of purchase of goods (in case of PLN depreciation) or lower revenues denominated in foreign currencies (in 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,
- legislative and legal risks associated with unstable and unviable regulations on public procurement, giving the ordering party a dominant position against the supplier/contractor, which allows the ordering party to include unilateral and unfavorable terms and conditions in agreements and to take hostile action against suppliers/contractors, including the calculation of disproportionately high amount of penalties.

The Audit Committee of ARCUS S.A. Supervisory Board was appointed on the basis of the Supervisory Board's Resolution of 9 July 2015, in the composition as set forth below:

1. Marek Czeredys
2. Tomasz Pelc
3. Tomasz Konewka
4. Bogusław Wasilewko

On 31 December 2015 Mr. Tomasz Pelc resigned as member of the Supervisory Board of ARCUS S.A. and at the same time he ceased to be a member of the Audit Committee. On the basis of Resolution of the Supervisory Board of 26 January 2016, Mr. Leszek Lechowski was appointed to the Audit Committee. The Audit Committee is led by Mr. Tomasz Konewka.

## 9 Risk factors associated with shares

D-Series Shares (formerly A, B and C) are admitted to trading on a regulated market. Admission required the fulfillment of a number of formal requirements specified in the provisions of the Warsaw Stock Exchange Rules (WSE Rules) and the National Depository for Securities Rules. The relatively low average turnover may entail the liquidity risk.

## 10 Information on key products, goods and services

ARCUS S.A. offers comprehensive solutions for document and correspondence management in public enterprises and institutions, which include hardware, software and services designed to optimize the document workflow correspondence management.

The Company is intensively developing a group of new system solutions related to widely understood – information management, including documents in electronic form.

In 2015, the Company's offer included solutions concentrated in two main areas:

- document lifecycle management systems (office solutions) – sales of solutions, equipment, software and services;
- correspondence management systems (mailstream solutions) addressed to postal and dispatching centers.

System solutions offered by the Company, both in terms of document lifecycle management and the correspondence management, are based on professional technology platforms. These are solutions that can be adapted to the specific operations of both small and medium-sized enterprises, large companies and corporations, and institutions - both at the level of Offices of cities and municipalities, and multi-branch central offices employing several thousand workers. The equipment forming the technology platform is obtained by the Company from renowned global partners and covers: MFP devices and printers from Kyocera Document Solutions, devices for correspondence processing (mail inserters, sorters, franking machines, electronic weighing scales, folders, address printers, envelope openers) from Pitney Bowes, as well as other office equipment such as IT and ICT equipment.

Both the scope of the portfolio and the trading volume ranks ARCUS S.A. among the leaders on the Polish market. In 2015, the main revenue-generating areas were the document management systems, the sale and lease of copying-printing equipment (under the name of ARCUS Kyocera MDS) and devices for mail management. The second area was the services segment, including maintenance of equipment, implementation of ICT systems etc.

In November 2013, a subsidiary company T-matic Systems S.A. had established by the Notary Deed, a subsidiary undertaking under the business name of Durau Sp. z o.o. with initial capital of PLN 20 thousand, which in the first quarter of 2014 was increased up to PLN 100 thousand. In July 2014, ARCUS S.A. acquired from T-matic Systems S.A. all shares of Durau Sp. z o.o. In August 2014, the share capital of Durau Sp. z o.o. was increased to the value of PLN 300 thousand. Durau company was established in order to build a national purchasing group in the energy, fuel and services sector.

Arcus S.A. hopes that over the next few years, it will allow to obtain new sources of income and will result in the separation of additional operating segment. In 2015, the Durau company changed the strategic partner involved in cooperation within the sale of electricity. It should be noted that this fact did not affect the implementation of the assumed plans.

## Segmentation of ARCUS S.A. operations in 2015

1 January 2015 - 31 December 2015	IT segment	telematics segment	telemetry segment	services segment	Total
Revenues	122 875	236	600	17 617	141 328
Sales to external clients	122 875	236	600	17 617	141 328
Segment's total revenues	122 875	236	600	17 617	141 328
Segment's result	10 617	101	-493	938	11 163
Unallocated costs	-	-	-	-	-5 687
Profit on operating activities	-	-	-	-	5 476
Net financial revenues	-	-	-	-	-607
Profit before tax	-	-	-	-	4 869
Income tax	-	-	-	-	-1 106
Net profit for the financial year	-	-	-	-	3 763
Assets and liabilities					
Segment's assets	73 496	141	359	10 537	84 534
Unallocated assets	-	-	-	-	27 590
Total assets	-	-	-	-	112 124
Segment's liabilities	28 613	55	140	4 102	32 910
Unallocated liabilities	-	-	-	-	79 215
Total liabilities	-	-	-	-	112 124

In 2015, the Company generated the sales revenues on domestic and partially export market. Export in 2015 accounted for 5% of the total revenues. In a geographical arrangement, the sales on the territory of Poland is spread proportionally to population and the level of generated GDP in individual provinces.

### Information of the Company's branches

ARCUS S.A. has its headquarters in Warsaw and 7 regional branches providing sales services, located in the following cities:

- Gdańsk,
- Bydgoszcz,
- Poznań,
- Łódź,
- Wrocław,
- Katowice.
- Lublin (under organization)

## Location of ARCUS S.A. branches as at 31.12.2015



## 11 Suppliers and clients of the Company

In 2015, similarly as in the previous year, Kyocera international corporation was the Company's supplier. Kyocera is a Japanese manufacturer of document management systems, including laser printers and MFPs (multifunction devices). Its share in commercial transactions accounted for approx. 46% of the total. ARCUS S.A. reached a record level of turnover in the financial year of Kyocera (April 2015 – March 2016) and achieved a status of the largest independent recipient in EMEA countries

## 12 Significant agreements

In June 2014, the Company concluded a long-term agreement with Millennium Bank Group for the lease and maintenance of copying and printing devices. Execution of mentioned agreement had started in the fourth quarter of 2014 and continued through a part of 2015. Total revenues generated during the agreement's period exceeds 10% of ARCUS S.A. equity.

On 21 April 2015 the Company signed a framework agreement of value amounting to PLN 15 million (net) with Medenit S.A. for the delivery of equipment and software (current report no 2/2015).

On 23 July 2015, an agreement was concluded between Poczta Polska S.A., Bonair S.A. consortium, Arcus Systemy Informatyczne Sp. z o.o. and ARCUS S.A. The subject of mentioned agreement was the "Implementation of IT system supporting the operation of business processes throughout providing the availability of business services" for Poczta Polska S.A. Total value of the project: PLN 14 929 737 (gross). Planned completion date: 21.12.2017.



Integrated ERP System for Poczta Polska S.A. will be based on Microsoft Dynamics AX 2012 solution with the licenses for at least 500 defined users and will cover the following areas: database of contractors, central register of contracts, accounting and settlement, cooperation with banks, fixed assets, real estate, procurement and warehouse management, sales and shipping, reporting, IT support and trainings. Implementation and trainings will be held throughout the country.

On 10 November 2015, the Company signed with Egida It Solutions Sp. z o.o. an agreement for the sales and delivery of Kyocera Document Solutions equipment.

Thanks to an advanced technology team, own reseller distribution network and service network, Arcus Group offers one of the most advanced and comprehensive document management systems (ARCUS Kyocera MDS). Offered solutions covering the after-sales service and the maintenance services performed at a very high level, as well as the scalability of systems allow to service both corporate clients, central administration, as well as companies from the SME sector. In 2015, the Group signed a long-term contracts (of value lower than in case of significant agreements) with among others: Poczta Polska S.A., Totalizator Sportowy, mCentrum (mBank Group) Eneva Telecom, Flora Praszka, Marshall Office of the Wielkopolska Province, Magna Formpol, the Katowice Province Police Headquarters.

## 13 Information on the most significant achievements within the field of research and development

Arcus undertakes R&D program within the framework of Arcus Group's operations. This program covers all entities in the Group. The following projects shall be classified as the most important in 2015:

- development of own solution in the field of MicroEDI software,
- development of CRM system based on Microsoft Dynamics AX,
- further development of ERP class system based on Microsoft Dynamics AX and cloud computing,
- further development of Vario system (document workflow and optimization of decision processes)
- development of own intelligent OCR system (by DocuSoft company) supporting sales activities in the field of printers, MFPs and IT software.

## 14 Information on environment-related issues

In the reporting period, the Company's operations did not have a negative impact on the environment. However, issues related to environmental protection, disposal and use of supplies and energy efficiency of the equipment and systems offered by the Group, are an important part of the philosophy of the company. Together with its strategic partner - Kyocera Document Solutions, Arcus S.A. participates in a global environmental liability program. Detailed information on issues related to environmental liability is presented in a separate report published by Arcus S.A.

## 15 Changes in the organizational or capital relations with other entities

In 2015, an entity directly related through shares held was T-matic Systems S.A. (ARCUS S.A. holds 65.6% of votes at the GM of this company). ARCUS S.A. together with T-matic Systems S.A. and DocuSoft Sp. z o.o. acquired in 2011, forms ARCUS Group which in December 2013 was extended by another entity – Durau Sp. z

o.o. Durau company was established in order to build a national purchasing group in the energy, fuel and services sector.

On 25 April 2014, ARCUS S.A. concluded an Investment Agreement as a result of which undertook to acquire for the total amount of PLN 7.66 million a controlling share in Syntea Business Solutions. In accordance with the terms of mentioned Agreement, on 27 June 2014 ARCUS S.A. acquired newly issued shares of Syntea Business Solutions of issue value amounting to PLN 5.1 million in exchange for an in-kind contribution in the form of an organized part of an enterprise and currently holds 30.2% share in the capital and in the total number of votes at the GM of this company. Furthermore, on 1 July 2014 conditional agreements regarding the acquisition of the shares of new issue for cash in the amount of PLN 528 thousand and the repurchase of shares from existing shareholders, were finalized. Due to the above, as of 1 July 2014 ARCUS S.A. is a controlling shareholder of ASI (53% share in capital and votes). ASI company (formerly Syntea Business Solutions) being the subject of investment, has been operating on the IT market since 1996. The company provides consulting implementation and maintenance services in the field of Enterprise Resource Planning (ERP) for public entities and private companies. The company offers one4all solutions that integrate areas of the organization in terms of core business processes, communication and workflow management, project management and business analysis. ASI specializes in the supply and implementation of Unified Communications Systems and IT infrastructure. As at 30 June 2014, ASI was accounted for using the equity method and has been fully consolidated as of the date of acquiring control, that is as from 1 July 2014.

Arcus Kazakhstan Sp. o.o. was established on 08 September 2014 according to the law of Kazakhstan by a specialized entity (law firm). On 08 October 2014 Arcus S.A. repurchased 100% of shares worth KZT 200. Planned authorized share capital of the company will amount to KZT 12.5 million (approx. PLN 230 thousand). The registered office of the company is Astana, while its objective is to develop services provided by Arcus Group on the market of Kazakhstan. The company is under consolidation as from the fourth quarter of 2014, but due to lack of operations, it did not have an impact on the result generated.

In 2015, the following companies were also the Issuer's related entities:

- ADD Polska Sp. z o.o. Sp. k. (Limited Liability Company; Limited Partnership) – in the reporting period shareholders Arcus S.A. and T-matic Systems S.A. were the partners in the limited partnership;
- DocuSoft Sp. z o.o. (Limited Liability Company – one of DocuSoft company's shareholders is a first-degree relative to the shareholder of ARCUS S.A.);
- Prof. Marek Wierzbowski i Partnerzy (Law Firm) – Mr. Sławomir Jakszuk, former Member of the Supervisory Board, is a Partner in a Law Firm.

## 16 Information on significant transactions concluded by the issuer or its subsidiaries on conditions other than arm's length

In the period from 1 January 2015 to 31 December 2015, ARCUS Group's companies did not execute with aforementioned related entities any transactions which total value in the period from the beginning of the financial year exceeded the equivalent of EUR 500 000. None of ARCUS Group's companies concluded with related entities transactions on conditions other than arm's length.

## 17 Sureties and credits or loans and guarantees received or granted during the financial year

In 2015, the Company has not been granted any material sureties, loans or guarantees except for standard insurance warranties and performance guarantees associated with tendering processes. As at 31 December

2015, the Company had an agreement of 25 September 2014 concluded with BZ WBK S.A. as regards the long-overdraft (with a repayment term in September 2016) in the amount of PLN 7.5 million. At the same time, as at 31 December 2015, ARCUS S.A. had a special-purpose credit line granted by BZ WBK in the amount of PLN 8 million and a stand-by import letter of credit with a limit of PLN 8 million aimed at securing deliveries performed by Kyocera. The credit interest rate is variable and depends on the WIBOR rate increased by bank's margin. Both the overdraft and the stand-by import letter of credit are additionally secured on real estate being the property of Ms. Anna Czeredys and Mr. Marek Czeredys.

In 2015, the Company did not grant neither sureties not guarantees. The Company granted medium-term loans in the amount of PLN 1.57 million to its subsidiaries and short-term loans to business partners. The company did not terminate any credit agreements in 2015.

## 18 Differences between financial results disclosed in the annual statement and published earlier forecasts for 2015

The Management Board of ARCUS S.A. did not disclose forecasts of financial results of the Company for the year 2015.

## 19 Evaluation of management of financial resources of the Company

At the end of 2015, the value of current assets amounted to PLN 74.8 million, while short-term liabilities amounted to PLN 37.7 million (long-term liabilities – PLN 7.6 million). The high predominance of current assets over the total amount of liabilities of the Company, guarantees the possibility to meet both long-term and short-term commitments. The following table shows the liquidity ratios, profitability ratios and the amount of working capital at the end of 2015-2014.

liquidity ratios, profitability ratios and the amount of working capital at the end of 2015-2014

	2015	2014
Current liquidity ratio	2,0	2,3
Qucik ratio	1,6	1,8
Net workin capital (PLN thousand)	37 115	35 098
Return on Assets (ROA, %)	3,4%	-3,7%
Return on Equity (ROE, %)	5,6%	-6,3%
Net Return on Sales (ROS,%)	2,6%	-3,1%

In 2015, all liquidity ratios and the amount of working capital remained at acceptable levels. In March 2015, another year in a row, ARCUS S.A. was granted by the credit information agency Dun&Bradstreet a Certificate of Business Credibility in recognition of financial condition, minimum risk of transactions with the Company and its credibility.

## 20 Information on financial instruments

Information on financial instruments in terms of price risk, credit risk, significant disruptions to cash flow and liquidity risk to which the Company is exposed as well as information on measures adopted by the Company in the field of risk management. Any credit agreement were not terminated during the reporting period.

### **Foreign exchange risk**

Foreign exchange risk arises from the nature of the business - ARCUS S.A. is an importer of goods and services (from EUR and USD areas), which are which resold on the domestic market in PLN. Within its ongoing operations, ARCUS S.A. did not use the forward transactions and expert advice in terms of projected exchange rates and a policy regarding the purchase of foreign currencies. All transactions were strictly associated with import activities and were aimed at securing the purchase of EUR currency. The Management Board and CFO of Arcus S.A. performed the ongoing supervision over the implementation of aforementioned transactions. In 2015, the Company did not issue derivative instruments.

### **Interest rate risk**

ARCUS S.A. is a party to credit and lease agreements based on a variable WIBOR rate and bank margin. The Company is not hedged against interest rate risk, since the impact of such risk is minimal. Free cash is invested in short-term bank deposits.

### **Credit risk**

Credit risk relates mainly to such classes of assets as: receivables, loans granted, cash and bank deposits, short-term financial assets. Clients wishing to cooperate with the Company and to use the trade credit in transactions with the Company, are subject to verification procedure, aimed at assessing the financial standing. Then, resultant trade receivables are subject to constant monitoring executed by the Sales Department and the Finance Department. A large customers base and their diversification shall limit the credit risk by mitigating the dependency on the narrow group of significant customers.

### **Liquidity risk**

Company's liquidity management covers the following areas: current, continuous monitoring of liabilities and trade receivables, forecasting cash flows and cash needs of the Company, active cash management. Short-term financial surpluses are invested in safe financial instruments which allocation and maturity schedules are adapted to the maturity of liabilities.

## **21 Changes in basic management procedures applied by the issuer**

In 2015, the company recognizing the importance of active risk management established an audit committee. Additionally in 2016, after the balance sheet date, the Supervisory Board of the Company appointed a Management Board member for legal and corporate affairs.

## **22 Feasibility of investment plans**

In the coming period, the Management intends to focus on developing the core business of the Company, including the development of existing business segments. Currently, all resources are oriented on strengthening the market position, developing value-added services and systematical improvement of financial results.

## 23 Description of external and internal factors significant for the development of the company and description of the perspectives for the future development of the company with consideration of market strategy

The economic situation in Poland, GDP growth, the share of EU funds in the financing of public infrastructure and institutions as well as the level of gross debt shall be the dominant external factors influencing the Company's development in the near future. The attention shall also be given to EU regulations and related national regulations imposing on the electricity, gas and other sectors, the need to modernize and upgrade the infrastructure. The company also expects that thanks to the exceptional quality and efficiency of Kyocera equipment offered, customers will increasingly and comprehensively recognize all the costs associated with printing, copying and document flow, and not only the conditions of initial purchase. Increased efficiency and economics of printing and copying processes translates into lower unit costs, which is recognized by more and more institutions and business customers, changing the model of purchase and maintenance of such devices.

In 2015, the company generated most of the revenue on the basis of sales contracts, but the attention should be given to a visible increase in the number and value of long-term contracts based on lease of equipment and settlements under fixed and variable charges associated with the number of printouts.

In the coming years, integration services of ERP and ICT systems as well as services in the field of telematics associated with fleet monitoring and telemetry associated with the development of remote metering of energy gas and water supply networks, shall also have a significant share in the revenues of the Company.

## 24 Description of events significantly affecting the issuer's operations that occurred during the financial year, after the balance sheet date and until the date of the financial statement preparation

In 2015, there were no events that would have a significant impact on the results of this period, as well as might significantly affect the results of subsequent years, however, the Management Board draws attention to the description of the dispute proceedings with Energa-Operator S.A. (detailed description is presented in paragraph 29).

## 25 Current and expected financial situation of the Issuer

Current and expected financial situation of ARCUS S.A. has been described in previous paragraphs of the report hereof.

## 26 Agreements concluded between the company and its managing persons, which provide for compensation in the event of a given person resigning or being removed from his or her position without a good reason, or being removed as a result of the company being merged into another company

The company is not a party to agreements with its managing persons, which provide for compensation in the event of a given person resigning or being removed from his or her position without a good reason, or being removed as a result of the company being merged into another company.

## 27 Value of remuneration, bonuses or benefits payable to company's managing and supervisory persons

In 2015 the following amount of remunerations were paid to the Company's managing and supervisory persons

Person	Function performed in 2015	Remuneration (PLN thousand)
Marek Czeredys	Chairman of the Supervisory Board	248 638
Michał Słoniewski	Member of the Supervisory Board	11 533
Sławomir Jakszuk	Member of the Supervisory Board	11 533
Jolanta Grus	Member of the Supervisory Board	11 533
Tomasz Pelc	Member of the Supervisory Board	30 000
Tomasz Konewka	Member of the Supervisory Board	12 533
Leszek Lechowski	Member of the Supervisory Board	12 533
Krzysztof Przybył	Member of the Supervisory Board	12 533
Bogusław Wasilewko	Member of the Supervisory Board	12 533
Michał Czeredys	President of the Management Board	575 133
Marek Multan	Vice-President of the Management Board	102 525
Michał Łotoszyński	Vice-President of the Management Board	102 525
Rafał Czeredys	Proxy	232 372

In 2015 managing and supervisory persons were not paid any bonuses or benefits resulting from share-based incentive or bonus schemes, including schemes based on bonds with pre-emptive rights, convertible bonds or subscription warrants.

## 28 Information on the supervision of employee stock option plans

The Company does not execute any employee stock option plans.

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

On 16 December 2013 (current report No 36/2013) the consortium of Arcus S.A. and T-matic System S.A. received a notification from the District Court for the City of Warsaw, 16<sup>th</sup> Commercial Division, on institution of conciliation proceedings and on summoning Arcus S.A. and T-matic System S.A. Consortium by Energa-Operator S.A. to a conciliation hearing as regards the payment to be executed by Consortium at the amount of PLN 21 513 481.31 and referring to the claims arising from contractual penalties concerning the contracts for the delivery and launching of the meter infrastructure covered by the following agreements: ZP/62/AZU/2011 of 9 September 2011, ZP/63/AZU/2011 of 26 August 2011, ZP/64/AZU/2011 of 26 August 2011 and ZP/66/AZU/2011 of 25 October 2011 being the implementing documents for the Framework Agreement, on which the Company informed in a current report No 22/2011 of 28 June 2011. The session of a Court was initially planned to be held on 30 December 2013, but was postponed until 5 March 2014, and in March 2014 – at the request of the Parties, until 20 May 2014.

The request of Arcus S.A. addressed to the court for a further postponement of the hearing, supported by Energa-Operator S.A., was not accepted by the Court and the case was dismissed at the hearing on 20 May 2014. In December, Consortium received from Energa-Operator S.A. a final call for payment, while at the same

time the Consortium submitted to Energa-Operator S.A. a claim for payment for additional works going beyond the scope set forth in the agreements (current report No 26/2014 of 18 December 2014). In December 2014, the Consortium received four debit notes from ENERGA-OPERATOR S.A. in the total amount of 21 183 221 PLN, which in the opinion of the Consortium were unjustified (current report No 25/2014 of 3 December 2014). In May 2015 Arcus S.A. received a claim for payment of the amount of 23 125 480,70 PLN (current report No 3/2015) of 15 May 2015). On 10 June 10, the Consortium replied to the claim. In response to another preparatory letter of Energa-Operator S.A., on 18 December 2015 Arcus and T-matic lodged a procedural document with additional arguments regarding the invalidity of contracts, which – as a consequence - changed the order of the taking of evidence in the case. On 13 January 2016, the first hearing was held, during which the court upheld the position of the Consortium and decided that the issue of the invalidity of contracts will be analyzed first. On 15 October 2015 Arcus S.A. together with its subsidiary company – T-matic Systems S.A. (hereinafter 'T-matic') send ENERGA-OPERATOR S.A. (hereinafter 'Energa-Operator') a letter of formal notice requesting Energa-Operator to join the negotiations as to the annulment of execution contracts for the delivery and setting up the meter infrastructure no ZP/62/AZU/2011 of 9 September 2011, no ZP/63/AZU/2011 of 26 August 2011, no ZP/64/AZU/2011 of 26 August 2011 and no W/1/AZU/00071/12 of 1 February 2013, as well as execution contracts for the implementation of PLC technology infrastructure on the installation area no ZP/66/AZU/2011 and no ZP/67/AZU/2011 of 25 October 2011. The purpose of the letter of formal notice sent to Energa-Operator was to intensify actions aimed at settlement of dispute with Energa-Operator, and in particular to develop the optimal solution for all parties concerned, especially in view of the identified new legal circumstances which could have substantially altered the view of rights and obligations between Energa-Operator, the Company and T-Matic, which affected the need for a comprehensive attempt to regulate the current legal relationship between the Parties. On 12 November 2015, the Management Board of Arcus S.A. was informed by a professional legal representative in litigation on referring on 10 November 2015 together with T-matic Systems S.A. with its registered office in Warsaw ('T-matic') to the Regional Court in Gdańsk (IX Commercial Department) the case against Energa-Operator S.A. with its registered office in Gdańsk ('Energa-Operator') to annul – on the basis of Art. 189 of the Civil Code, the execution contract of 1 February 2013 ('Execution contract') on the conclusion of which the Company informed in a current report no 4/2013 of 4 February 2013. The value of the subject-matter of dispute amounts to PLN 77 million. The supply and installation of 310 000 PRIME-technology smart meters with within the next stage of the performance of a project concerning consumers' smart metering was the subject-matter of the Execution contract. Under mentioned Execution contract, the Issuer and T-matic undertook to deliver the devices and software as well as to activate the metering infrastructure for a specific installation area. In line with the position presented by the Issuer and T-matic in the lawsuit, the Execution contract contains essential structural irregularities, which indicate that the Execution contract is subject to the sanction of absolute nullity, in particular due to the following two sets of circumstances:

- a. there shall be no binding obligation (in all its essential aspects and elements required under the applicable law) between the Parties due to the fact that the Issuer's and T-matic company's supply has not been sufficiently clearly defined in the Execution contract, which results in the lack of conclusion of Execution agreements as such,
- b. Execution contract infringes grossly a balance of contractual relationship, and therefore it remains contrary to the nature / essence of the obligation and is against the principles of social co-existence, and thus is subject to the sanction of nullity.

It should be noted that the Execution contract in its basic form is a supply contract, regulated by Article. 605 et seq. of the Civil Code, which also follows from the wording of Section 25.2 of the Execution contract. The regulatory scope referred to above indicates that the supply contract constitutes a mutual contract with characteristics similar to the sale contract. It is therefore, in principle, an equivalent legal relationship, in which the supply of one Party (production and delivery of a product) corresponds to the supply of the counterparty (reception of goods and payment). In view of the above and having regard to the type of correspondence submitted by the defendant to the complainants, it should be noted that the correct, complete and adequate description of the subject-matter of the contract (ie. a description of the subject-matter of the delivery, and thus the responsibilities of the consortium of the Issuer and T-matic) should identify and determine the content

of the supply of the Issuer and T-matic. Additionally this requirement refers to the so called *essentialia negotii* of supply contracts named in the Civil Code, which is essential to define their existence in the legal system. It must therefore be assumed that lack of sufficiently precise definition of subject of Issuer's and T-matic company's service results in the lack of conclusion of Execution contract as such. In the Execution contract, a specific mechanism was provided for the purposes of verification of performance of the service by the Issuer and T-matic, and thus binding verification procedures were not determined which made it impossible for the Company to assess whether the service of the Company and T-matic corresponded to the Execution contract or not. The subject-matter of the Execution contract was determined inadequately and ambiguously, and at the stage of performance by the Issuer and T-matic was subject to unilateral modifications by Energa-Operator. Execution contract also has a fundamental shortcoming associated with the position of the Parties in the framework of contractual relationship, especially in the context of the recognition of supply contract to be the progenitor of Execution contract, which particularly applies to:

- a. penalties reserved exclusively to one party, ie. Energa-Operator;
- b. the possibility of accumulation of penalties imposed on the Issuer and T-matic (no possibility of charging any contractual penalty for the benefit of the Contractor);
- c. the possibility of accumulation of penalties both from the point of view of the withdrawal from the Execution contract, as well as failure to execute the contract within the specified time limit (and therefore the protection of two opposing interests of Energa-Operator, ie. protection against failure to perform and improper performance of the above mentioned Execution contract);
- d. contractual penalties for failure to comply with the quality parameter of the Issuer's and T-matic company's supply for reasons beyond the control of the Issuer and T-matic;
- e. possibility of unilateral withholding of products by Energa-Operator, without the consent of the Issuer and T-matic in case of withdrawal from the contract.
- f. on 16 November 2013, Arcus S.A. received from Energa-Operator S.A. with its registered office in Gdańsk ('Energa-Operator') request for payment ('request') of the total amount of PLN 157 023 542 (one hundred fifty seven million twenty three thousand five hundred forty two) consisting of:
  - the amount of PLN 1 002 942 (one million two thousand nine hundred forty two) for the decrease of remuneration payable to the Issuer and T-matic for the products delivered in the course of performance of the execution contract for the delivery and launching of the meter infrastructure of 1 February 2013 ('Execution contract') withheld by Energa-Operator;
  - the amount of PLN 156 060 200 (one hundred fifty six million sixty thousand two hundred) accrued by Energa-Operator on the basis of Execution contract.

According to the analysis and evaluations of the Issuer, the request is part a of the negotiation tactics of Energa-Operator, and the legal basis of the claim is clearly unfounded because of invalidity of the Execution contract raised by the Issuer (current report no 21/2015 of 16 October 2015). The said reasonableness also follows, totally independently, from the lack of factual and substantive grounds for any calculation of contractual penalties. Arcus S.A. legal position did not change, and on 10 November 2015 an action against Energa-Operator was brought before a court as to the annulment of Execution contract (current report no 24/2015). On the basis of accumulated documentation as well in accordance with the law firm's opinion - the claim of Energa Operator S.A. is unjustified, and the potential outflow of cash associated with this claim is unlikely. Taking above into consideration, no reserves in respect of afore described dispute were not established as at balance sheet day. The Management Board of Arcus S.A. emphasizes that due to the important public interest and precedential nature of the project, its intention is to end the dispute in an amicable way.



## 30 Information on the agreement and remuneration of the Company's qualified auditor

On the basis of the Supervisory Board's Resolution of 19 June 2015, TPA Horwath Horodko Audit Sp. z o.o. was selected to audit and review ARCUS S.A. company's separate and consolidated financial statements. The total remuneration arising from the agreement with TPA Horwath Horodko Audit Sp. z o.o. concluded on 7 July 2015 due for the audit and review of the separate financial statement of ARCUS S.A. for the year 2015 amounts to PLN 38.5 thousand. The total remuneration arising from the agreement with TPA Horwath Horodko Audit Sp. z o.o. concluded on 7 July 2015 due for the audit and review of the consolidated financial statement of ARCUS S.A. Group for the year 2015 amounts to PLN 21.3 thousand. On 29 July 2014, ARCUS S.A. concluded with Mazars Audyt Sp. z o.o. an agreement regarding the audit of the separate and consolidated financial statement for the year ended 31 December 2014 and review of the separate and consolidated half-yearly financial statement prepared as at 30 June 2014. Remuneration of the qualified auditor paid or due for 2014 covered the audit of the annual separate and consolidated financial statement (PLN 56 000) and other services, including the review of the half-yearly financial statement (PLN 23 000) and other services (PLN 13 800)

## 31 Statement on compliance with corporate governance principles in 2015

Statement on compliance with corporate governance principles in 2015 is enclosed to the report hereof.

Warsaw, 21 March 2016

**Michał Czeredys**

*President of the Management Board*

**Michał Łotoszyński**

*Vice-President of the Management Board*

**Rafał Czeredys**

*Member of the Management Board*