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however every effort has been made to ensure the accuracy of this translation**

**REPORT
OF THE INDEPENDENT STATUTORY AUDITOR
ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2017
ARCUS S.A. GROUP
(the Report contains 7 pages)**

Gdańsk, April 2018

REPORT OF THE INDEPENDENT STATUTORY AUDITOR
ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT
for the Supervisory Board and the Shareholders of ARCUS Spółka Akcyjna
(Joint Stock Company) with its registered office in Warsaw at 5/7 Kolejowa Street

Report on the audit of the annual consolidated financial statement

We have audited the attached annual consolidated financial statement of ARCUS S.A. (hereinafter ‘the Company’), including:

- 1) consolidated statement of financial position prepared as at 31 December 2017 with total assets and liabilities of PLN 114 378 thousand;
- 2) consolidated profit and loss account prepared for the period from 1 January 2017 to 31 December 2017 with a net profit of PLN 403 thousand;
- 3) consolidated statement of comprehensive income prepared for the period from 1 January 2017 to 31 December 2017 with a comprehensive income amounting to PLN 403 thousand;
- 4) consolidated statement of changes in equity prepared for the period from 1 January 2017 to 31 December 2017 indicating a decrease in equity by PLN 153 thousand;
- 5) consolidated statement of cash flows prepared for the period from 1 January 2017 to 31 December 2017 indicating an increase in cash by PLN 744 thousand;
- 6) description of significant accounting principles (policy) as well as additional and explanatory information.

Responsibility of the Management and Supervisory Boards for the preparation of the consolidated financial statement

The Management Board of ARCUS S.A. is responsible for the preparation of the consolidated financial statement and for its fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, and other applicable laws as well as with the Dominant entity’s Articles of Association. The Dominant entity’s Management Board is also responsible for such internal control as the Management Board deems to be necessary for the preparation of consolidated financial statement that is free from material misstatements, whether due to fraud or error.

In accordance with the provisions of the Accounting, the Dominant entity's Management Board and members of the Dominant entity's Supervisory Board are required to ensure that the consolidated financial statement meets the requirements set out in the Accounting Act.

Responsibility of the statutory auditor

Our responsibility was to express an opinion on whether the consolidated financial statement provides a true and fair view of the assets, financial position and results of the Group in accordance with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations, and with the adopted accounting principles (policy).

We conducted our audit in accordance with:

- 1) the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089 as amended) ("Statutory Auditors Act"),
- 2) the National Standards of Auditing in the wording of the International Standards of Auditing adopted by resolution No 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015, as amended, in conjunction with resolution No 2041/37a/2018 of 5 March 2018 on national professional standards,
- 3) Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158 of 27.05.2014, p. 77 and OJ L 170 of 11.06.2014, p. 66) ("Regulation 537/2014").

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statement is free of material misstatements.

The purpose of the audit is to obtain reasonable assurance about whether the consolidated financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the aforementioned standards will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial

statement. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may affect every area of law and regulation, and not just the ones with direct impact on the financial statement.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The selection of procedures depends on the auditor's judgment and on the assessment of the risk of material misstatement of the consolidated financial statement, whether due to fraud or error. In assessing that risk, the auditor takes into consideration the internal control procedures in respect of preparation and fair presentation of the financial statement by the Dominant entity, in order to plan audit procedures appropriate under particular circumstances, but not to express an opinion on the effectiveness of the internal control systems. The audit also includes evaluating the appropriateness of accounting rules (policy), the reasonableness of accounting estimates made by the Dominant entity's Management Board and the assessment of the overall presentation of the consolidated financial statement.

The scope of the audit does not include assurance as to the future profitability of Group or the effectiveness of conducting Group's business matters by the ARCUS S.A. Management Board, either at present or in the future.

We believe that the audit evidence obtained by us provides a sufficient and appropriate basis for our audit opinion. The opinion is consistent with the additional report to the Audit Committee issued on the day of the report hereof.

Independence

While conducting the audit, the key statutory auditor and the audit firm remained independent of the entities being a part of ARCUS S.A. Group in accordance with the regulations of the Statutory Auditors Act, the Regulation 537/2014 and the principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors. Based on our best knowledge and belief, we hereby declare that we have not provided non-audit services to the Company, as prohibited under Article 136 of the Statutory Auditors Act and Article 5(1) of the Regulation 537/2014, for entities being a part of a capital group.

Appointment of the audit firm

We were appointed to audit the Company's consolidated financial statement based on the Company's Supervisory Board's Resolution of 9 June 2017. We carry out the audit of the Company's financial statements for the first time.

Most significant risks

In the course of our audit we identified the below described most significant risks of material misstatement, including due to fraud, and we developed appropriate audit procedures referring to those risks. Where we considered it to be relevant to gaining an understanding of the nature of the identified risk and to the audit procedures performed, we also included key observations arising with respect to those risks.

Description of the nature of the risk of material misstatement	Audit procedures applied and key observations arising with respect to identified risks
<p>Valuation of goodwill, which carrying amount is PLN 13.8 million which accounts for 12% of the balance sheet's assets.</p> <p>Confirmation of the correctness of the valuation of these balance sheet items are impairment tests. These tests were based on estimates of future, expected cash flows, which already assumes uncertainty regarding their implementation (note 3.5.3).</p>	<p>As part of the audit, we conducted an assessment of the feasibility of the assumptions made in the impairment tests.</p> <p>Procedures applied:</p> <ul style="list-style-type: none">• analysis of the financial position of subsidiary undertakings,• comparison of the balance sheet valuation with the value of net assets and income valuation,• conclusions from the audit of financial statements of subsidiary undertakings in the context of possible threats to continuation or limitation of operations,• analysis of available financial projections of subsidiary undertakings and their strategies. <p>As a result of the procedures performed, based on the collected audit documentation, we recognized that there is uncertainty in this area related to the adopted cash flow assumptions.</p>
<p>Risk related to the ongoing court dispute with Energa Operator S.A. regarding the performance of contracts described in note 31 to the financial statement.</p>	<p>As part of the audit of the correctness of determination of possible provisions for the risk related to this dispute:</p>

	<ul style="list-style-type: none"> • we read the legal documents associated with pending court proceedings, • we got acquainted with the position of the Company's Management in this matter by holding talks with the Management Board and persons responsible for the pending proceedings, • we have obtained legal opinions regarding these proceedings. <p>As a result of the audit procedures we have carried out, we decided to introduce additional explanation to this opinion.</p>
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Opinion

In our opinion, the accompanying annual consolidated financial statement:

- give a true and fair view of the financial position of ARCUS S.A. Group as at 31 December 2017 and its financial result for the financial year from 1 January 2017 to 31 December 2017, in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations, and with the adopted accounting principles (policy);
- is compliant in form and content with the provisions of law applicable to the Group and with the requirements of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2014, item 133, as amended) as well as with Dominant entity's Articles of Association.

Explanatory paragraph

Without qualifying the audited consolidated financial statement, we draw attention to matters presented in explanatory note no 30 to the presented consolidated financial statement of ARCUS S.A. In accordance with information disclosed therein, ARCUS S.A. and its subsidiary – T-matic Systems S.A. ("TS") are the parties to the court dispute with Energa-Operator ("EOP") as regards

the execution of contracts for the delivery of metering infrastructure, intermediate infrastructure and delivery and monitoring of vehicles based on GPS.

In December 2014, ARCUS S.A. and TS submitted to EOP a claim for payment (PLN 4.7 million) for additional works performed within the execution contracts. In April 2015, ARCUS S.A. received from EOP a claim against ARCUS S.A. and TS for payment of the amount of PLN 23.1 million for the delay in execution of the contracts. In November 2015, EOP informed ARCUS S.A. on calculation of contractual penalties in the total amount of PLN 157 million for the delay in execution of the agreement. ARCUS S.A. has a performance bond granted by insurer ERGO Hestia S.A. in the amount of PLN 9.6 million which can be used in the event of an unfavorable resolution of the dispute. In September 2017, the Company filed a claim against EOP for payment of PLN 174 million as compensation for damages.

In opinion of the Management Board of ARCUS S.A., penalties claimed by EOP are unjustified and shall not be awarded by the court. The litigation described above is multi-threaded and as at the date of preparation of the financial statement, it is not possible to determine the future results and the closing date of the dispute. Consequently, the Company did not create provisions for potential negative resolution of this court dispute. Such negative results cannot be excluded.

In addition, we point out that the estimates made by the Management Board of Arcus S.A. in connection with financial forecasts for impairment tests goodwill recognized in assets (note 5.5 and 17) were based on expected, future cash flows, which are uncertain and dependent on future events. T-MATIC SYSTEMS S.A. in relation to which the threat to business continuity occurs, accounts for PLN 3 million of goodwill disclose in the consolidated financial statement. In total, goodwill recognized in the consolidated financial statement exposed to impairment loss amounts to PLN 13.8 million.

Report on other legal and regulatory requirements

Opinion on the report on business activities

Our opinion on the audit of the financial statements does not cover the report on business activities of the Group. The Company's Management Board and members of the Supervisory Board are responsible for preparation of the report on business activities of the Group in accordance with the Accounting Act and other applicable provisions of law.

Our responsibility in accordance with the requirements of the Statutory Auditors Act was to issue an opinion on whether the report on Group's business activities was prepared in accordance with relevant laws and whether it is consistent with the information contained in the annual consolidated financial statement. Our responsibility was also to make a representation, based on our knowledge of the Group and its environment acquired during the audit of the consolidated financial statement, whether we had found any material misstatements in the report on Group's business activities and to indicate the nature of any such material misstatement.

In our opinion, the report on Group's business activities was prepared in accordance with the relevant regulations and is consistent with the information presented in the annual consolidated financial statement. Furthermore, we represent that in the light of our knowledge of ARCUS S.A. Group and its environment acquired during our audit of the consolidated financial statement we did not identify any material misstatements in the report on business activities.

Opinion on the statement on compliance with corporate governance rules

The Dominant entity's Management Board and members of the supervisory board are responsible for preparation of a statement on compliance with corporate governance rules in accordance with the provisions of law.

In connection with the conducted audit of the consolidated financial statement, our responsibility under the Statutory Auditors Act was to issue an opinion on whether the issuer, obliged to present a statement on compliance with corporate governance rules as a separate part of the report on Group's business activities, included in said statement information required by applicable laws and whether the related information complies with applicable provisions of law and is consistent with the information disclosed in the annual consolidated financial statement.

In our opinion, in the statement on compliance with corporate governance rules, the Dominant entity included the information stipulated in paragraph 91(5)(4) items a, b, g, j, k and l of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2014, item 133, as amended) ("Regulation"). Information stipulated in paragraph 91(5)(4) items c-f, h and i of the Regulation included in the

statement on compliance with corporate governance rules complies with applicable laws and is consistent with the information included in the annual consolidated financial statement.

Key statutory auditor:

Zygmunt Cichocki

entered in the register of statutory auditors under the number 9896

(illegible signature)

Audit firm included in the list of entities authorised to audit financial statement under the number 913:

DORADCA Auditors Sp. z o.o.

80-266 Gdańsk, 212 Grunwaldzka Street

Gdańsk, 27 April 2018

President of the Management Board

(illegible signature)

Jan Karoń

/stamp in Polish/

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