



Issued by: ARCUS S.A.

Issued on: 16 October 2015

Subject: Call for Energa-Operator to commence negotiations as to the annulment of execution contracts

Current report no 21/2015

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

Report content:

The Management Board of ARCUS S.A. (hereinafter 'the Company', 'the Issuer') acting under Art. 56.1.1 of the Act on Public Offering [...], hereby informs reputable investors and shareholders of the Company, that on 15 October 2015 the Issuer 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, hereinafter jointly referred to as 'Execution contracts'. The information on conclusion of Execution contracts was disclosed by the Issuer in current reports no 25/2011, 27/2011 and 4/2013.

The reason for sending above mentioned letter of formal notice is the comprehensive legal audit that has been carried out by the Company with regard to contractual documentation signed by the Parties, in particular with regard to Execution contracts. As a result of audit performed, significant structural irregularities were found in the Execution contracts in terms of compliance of relevant provisions of these contracts with the provisions of applicable law, which results in absolute invalidity of the contracts and, as a consequence, in a lack of any obligations arising under them.

The audit results indicate invalidity of all Execution contracts as contrary to and against (i) legal relationship, (ii) principles of social co-existence and (iii) as not containing the necessary elements objectively important - *essentialia negotii* of supply contracts and contract of mandate as contracts named in the Civil Code, which is essential to define their existence in the legal system.

The Execution contracts do not contain sufficiently precise definition of subject of Issuer's and T-matic company's service, which results in the fact, that on the basis of these contracts it is impossible to unambiguously determine the final scope of the obligations of the Issuer and T-Matic. Lack of sufficiently precise definition of subject of Issuer's and T-matic company's service results in the lack of conclusion of each of, as such, Execution agreements.

In addition, the subject of service in the Execution contracts was not definitively and unambiguously defined, which in turn led to the situation that the Issuer and T-Matic, from the point of view of the content of each signed execution contract, were not certain as to what the service will correspond to the requirements of Energa-Operator and what criteria should be satisfied so that the service could have been accepted.

In each of the Execution contracts, 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 particular Execution contract or not.

Considering the above context, the Issuer in its letter of formal notice to Energa-Operator accepted the conclusion that comes not only from a given set of facts, but also from the rich jurisprudence of the Supreme Court and courts of law, that the failure to comply in execution contracts with requirements concerning (i) conformity with the principles of social co-existence, the principle of fairness, justice, contractual loyalty, reliability, etc., and (ii) compliance with the legal relationship of a supply contract and contract of mandate based on the principles of reciprocity, equality of rights and duties and equal allocation of contractual risk, leads to absolute nullity of all obligations under the execution contracts .

In connection with the identified lack of any obligation of the Issuer and T-Matic under the execution contracts, as well as further agreements, in the opinion of the Issuer it is necessary to launch discussions as to the determination of procedure for the settlement of mutual supplies performed by the Parties under the provisions of execution contracts.

Considering the above, in addition to the letter of formal notice sent, the Company and T-matic called Energa-Operator to immediately, but not later than within 10 days of the date of delivery of the letter, join the negotiations in terms of acceptance of principles regarding the completion and settlement of cooperation of Parties to the Execution contracts. In accordance with the letter of formal notice, the following issues shall be the subject of negotiations:

- (i) determination of rules for the reimbursement / settlement of supplies provided by the Parties in the implementation of invalid legal actions;
- (ii) reimbursement of supplies provided by the Company and T-Matic as a consequence of the conclusion of additional agreements / arrangements associated with Execution contracts;
- (iii) determination of the detailed process and timetable for the completion cooperation between the Parties to the Execution contracts.

At the same time, the Issuer called Energa - Operator for the unconditional and immediate cessation of any action, the purpose or effect of which could be to inflict any damage to the Issuer or T-matic or obtaining any undue benefit from the assets of the Issuer or T-matic, as well as the purpose or effect of which could be any unlawful infringement of personal rights of any of the above mentioned Companies, including through the formulation - in any form - any unauthorized and unsubstantiated statements / requests / stances infringing - in any way - a legally protected interest of the Contractor.

The Issuer also indicates that the in a current report no 3/2015 disclosed information on bringing a legal action against the Issuer by Energa-Operator in connection with the implementation of Execution contracts. In the Issuer's opinion, the of claim Energa-Operator, is unfounded.

The Issuer also announces that, the purpose of the letter of formal notice sent to Energa-Operator is 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 substantially alter the picture of rights and obligations between Energa-Operator, the Company and T-Matic, which affects the need for a comprehensive attempt to regulate the current legal relationship between the Parties.

Legal basis: Article 56(1) point 2 of the Act on Public Offering