



Issued by: ARCUS S.A.

Issued on: 20 October 2015

Subject: Receipt of an ineffective declaration from Energa-Operator of withdrawal and termination of Execution Contract

Current report no 22/2015

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'), hereby informs reputable investors and shareholders of the Company, that on 19 October 2015 the Issuer together with its subsidiary company – T-matic Systems S.A. (hereinafter 'T-matic') received a declaration (hereinafter 'the declaration') from Energa-Operator S.A. (hereinafter 'Energa-Operator') as to the withdrawal and termination of execution contract for the delivery and setting up the meter infrastructure concluded on 1 February 2013 ('Execution contract'), which however, in view of unconditional invalidity of this contract (see current report no 21/2015) and provisions of binding law, is deemed by the Management Board of the Company as not producing binding legal effects.

The information on conclusion of the Execution contract was disclosed by the Issuer in a current report no 3/2013. The subject of the contract was the delivery and setting up the meter infrastructure. The results of a comprehensive audit indicated significant structural irregularities in the Execution contract, that is lack of sufficiently precise and unambiguous description of the subject of supply to be performed by the Company and T-matic and possibility of unilateral modification by Energa-Operator of its scope, which results in the fact that the content of Execution contract does not comply with legal requirements necessary to establishing a binding legal obligation. This means that under the Execution contract no rights and obligations arose, and thus statements made on the basis of this contract cannot be considered effective. Execution contract should be treated as invalid.

In the received declaration Energa-Operator claims that the withdrawal and termination of Execution contract is caused by the delay of T-Matic and the Issuer in the delivery of one of the products set forth in the Execution contract – the model of meter infrastructure and by the delivery of mentioned model – in the one-sided assessment of Energa-Operator – not complying with the requirements – particularly technical or functional requirements specified in the Execution contract. Energa - Operator assumes that withdrawal takes effect as to the parts of Execution contract covering the elements of products:

- (i) model of meter infrastructure,
- (ii) delivery of basic elements of meter infrastructure, and
- (iii) installed, launched and tested meter infrastructure in the form of obligation to deliver the software for concentrator-balancing sets.

Energa-Operator also informed the Issuer on withholding all products (in accordance with definition set forth in Execution contract) not covered by the declaration. Furthermore, Energa-Operator suggests that the charge of contractual penalties due to withdrawal and termination of Execution contract, will be the subject of separate correspondence. In the Issuer's opinion, any breach of contractual penalties will be pointless, not only on the merits, but above all because of the invalidity of Execution contract. Energa - Operator pointed out, moreover, that the consequence of the withdrawal from the Execution contract is its termination to the extent to which Execution contract is a contract for the provision of services. In this regard, Energa - Operator also lodge a statement on the termination of the Execution contract and referred to the existence of a valid reason – that is, as Energa- Operator considers, withdrawal from the Execution contract.

The Issuer does not agree with the arguments presented by Energa-Operator and considers the statement as irrelevant. The overall position of Energa-Operator is based on the assumption that the Execution contract remained valid and binding obligation, which could be terminated with a statement. Issuer's Management Board, however, points out that this assumption is incorrect, which was confirmed by the audit performed by the Company.

Accordingly, in the Issuer's Management Board's opinion, the declaration submitted by Energa-Operator does not change, in any way, the legal situation of the Company which is only conditioned by the binding law. Moreover the Issuer's Management Board also questions factual basis of the submitted declaration as having no basis in the actual process associated with Execution contract performance.

Issuer's Management Board indicates that all the implementation problems resulted from erroneous preparation by Energa-Operator of the description of subject-matter of the contract and presented in the course of works – modifications of technical parameters regarding the supply of the Company and T-Matic.

The Issuer also points out that between the Parties a dispute is pending for as to the validity and effectiveness of the Execution contract and other execution contracts ('Execution contracts'), signed with Energa-OPERATOR, on the conclusion of which the Issuer informed in current reports no 25/2011 and 27/2011. The detailed Issuer's position of and the allegations against the performance contracts are presented in the current report no 21/2015.

The Issuer emphasizes in particular that, in view of the results of the Audit, the Issuer and T-Matic on 16 October 2015 sent a letter of formal notice to Energa-Operator requesting this company to undertake negotiations as to the determination of the rules of mutual business relations in accordance with proven invalidity of Execution contracts – as the Issuer disclosed in a current report no 21/2015.

The Issuer points out that 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.

In this context complex the declaration submitted by Energa-Operator cannot be considered effective. The Issuer will also take immediate and appropriate legal action in connection with the submitted declaration.

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