



SECO/WARWICK S.A.

DIRECTORS' REPORT
ON THE SECO/WARWICK GROUP'S OPERATIONS
IN THE YEAR ENDED
DECEMBER 31ST 2013



THE SECO/WARWICK GROUP

Directors' Report on the operations of the SECO/WARWICK Group
in the year ended December 31st 2013

The Management Board of SECO/WARWICK S.A. presents the Directors' Report on the SECO/WARWICK Group's operations in the period January 1st–December 31st 2013, prepared in accordance with Par. 92 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. of 2009 No. 33, item 259, as amended).

The consolidated financial statements of the SECO/WARWICK Group (the "Group") were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the EU, and their scope is compliant with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities, dated February 19th 2009 (Dz.U. No. 33, item 259, as amended). The financial statements cover the period January 1st–December 31st 2013 and the comparative period January 1st–December 31st 2012.

The presented financial statements are compliant with all the requirements of the International Financial Reporting Standards endorsed by the European Union and give a fair view of the Company's financial position and assets as at December 31st 2013 and December 31st 2012, as well as of its results and cash flows in the years ended December 31st 2013 and December 31st 2012.

1. Introduction

SECO/WARWICK S.A. (the "Company" or the "Parent") was entered in the Register of Entrepreneurs of the National Court Register on January 2nd 2007, by virtue of a decision issued by the District Court of Zielona Góra, 8th Commercial Division of the National Court Register, under No. KRS 0000271014.

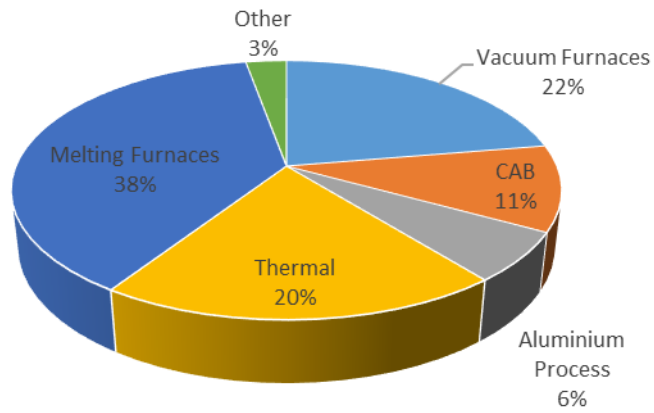
The Group's core business consists in manufacture of four key groups of products: vacuum furnaces, aluminium heat exchanger brazing systems, aluminium heat treatment systems and metallurgy equipment used for melting and vacuum casting of metals and specialty alloys. The Group's operations are divided into five business segments corresponding to the product groups, i.e. vacuum furnaces (Vacuum), aluminium heat exchanger brazing systems (Controlled Atmosphere Brazing - CAB), aluminium heat treatment systems (Aluminum Process), metallurgy equipment used for melting and vacuum casting of metals and speciality alloys (Melting Furnaces), and other.

The table below presents the Group's revenue.

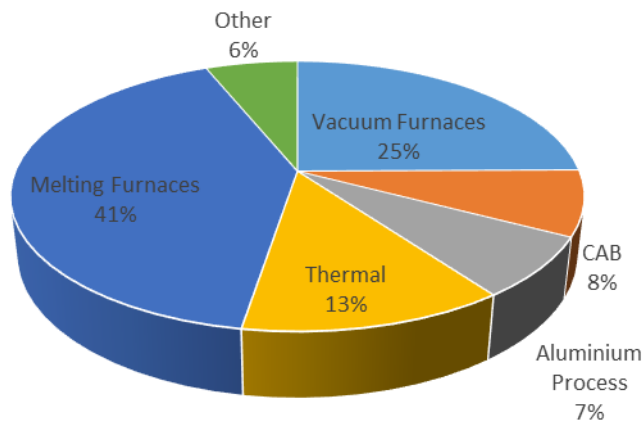
Table: Revenue (PLN '000)

Item	Continuing operations						Total
	Vacuum Furnaces	CAB	Aluminium Process	Thermal	Melting Furnaces	Other	
Jan 1–Dec 31 2013	108,996	52,211	30,191	97,627	185,064	13,885	487,974
Jan 1–Dec 31 2012	123,508	38,913	36,189	62,914	204,899	30,770	497,192

Revenue from sales in 2013 by operating segments



Revenue from sales in 2012 by operating segments





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2. Organisational and equity links between the Group companies and other entities; information on the Group's key domestic and foreign investments (securities, financial instruments, intangible assets and real estate), including equity investments outside of the group of related entities; financing of the investments

Table: As at December 31st 2013, the structure of the SECO/WARWICK Group was as follows:

Company	Registered office	Business profile	Method of consolidation / accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin	Manufacture of vacuum furnaces, aluminium heat exchanger brazing systems and aluminium heat treatment systems	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK EUROPE Sp. z o.o. (1)	Świebodzin	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	A holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	Full	100%
SECO/WARWICK Rus	Moscow (Russia)	Distribution of the SECO/WARWICK Group's products	Full	100%
Retech Systems LLC	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of metal heat treatment equipment	Full	90%
Retech Tianjin Holdings LLC	(USA)	Activities of a holding company.	Full	80%
SECO/WARWICK Allied Pvt., Ltd. (2)	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	66.7%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces manufactured by SECO/WARWICK S.A. and SECO/WARWICK EUROPE Sp. z o.o., and provision of technical support to customers in Germany, Austria, the Netherlands, Switzerland,	Full	100%

Liechtenstein and Slovenia

000 SCT (3)	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	Equity method	50%
SECO/WARWICK Service GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany	Full	100%
SECO/WARWICK do Brasil Ltda. (Engefor Engenharia Indústria e Comércio Ltda) (4)	Jundiaí (Brazil)	Manufacture of metal heat treatment equipment	Full	100%

(1) On September 27th 2013, resolutions approving the transformation of SECO/WARWICK EUROPE S.A. (joint-stock company) into a limited liability company (spółka z ograniczoną odpowiedzialnością) on the terms and conditions provided for in the transformation plan approved by the Company Management Board on August 12th 2013, were passed. Following registration of the change, as of October 24th 2013 the former SECO/WARWICK EUROPE S.A. has been operating as SECO/WARWICK EUROPE spółka z ograniczoną odpowiedzialnością.

(2) On March 25th 2013, conditions precedent for the purchase of 9,090 Sale Shares were fulfilled. Following the acquisition, the Company held 63,765 shares, representing 58.3% of the company's share capital. On May 22nd 2013, conditions precedent for the purchase of 9,127 Sale Shares were fulfilled. Following the acquisition, the Company holds 72,892 shares, representing 66.7% of the company's share capital.

(3) The share capital of 000 SCT was increased on November 30th 2013. SECO/WARWICK S.A. made a non-cash contribution in the form of a furnace worth PLN 3,081,242.87.

(4) A conditional agreement to purchase all shares in Engefor Engenharia Indústria e Comércio Ltda (a limited liability company of Jundiaí, established and existing under Brazilian law), conferring the right to 100% of votes at the company's general meeting, was executed on April 23rd 2013. On May 24th 2013, all conditions precedent for the purchase of 860,000 Sale Shares and payment of the first instalment of the Selling Price, in the amount of BRL 6,000,000 (PLN 9,506,400 at the mid exchange rate quoted by the National Bank of Poland on May 24th 2013), were fulfilled.

Changes in the composition of the SECO/WARWICK Group in the analysed period

On March 22nd 2013, in Current Report No. 04/2013, the Management Board of SECO/WARWICK S.A. reported that the Company and shareholders (hereinafter jointly referred to as the "Selling Shareholders") of Seco/Warwick Allied Private Limited of Maharashtra, India ("SWAPL"), in which the Company holds a 50% interest, representing 50% of SWAPL's equity and carrying the right to 50% of the total vote at the General Meeting of SWAPL, entered into a conditional agreement on purchase by the Company of [27,339] SWAPL shares, representing 25% of SWAPL's equity and carrying the right to 25% of the total vote at its General Meeting (the "Sale Shares") (the "Agreement"). Pursuant to the Agreement, the acquisition of Sale Shares by the Company is contingent on fulfilment – to the Company's satisfaction – of certain conditions precedent, listed in the Current Report. Under the Agreement, the total selling price for the Sale Shares is INR 161,000,000 (PLN 9,590,609, translated at the mid-exchange rate quoted by the National Bank of Poland for March 22nd 2013) (the "Selling Price"), with the total Selling Price to be paid by the Company in three instalments, upon fulfilment of conditions precedent to each payment.

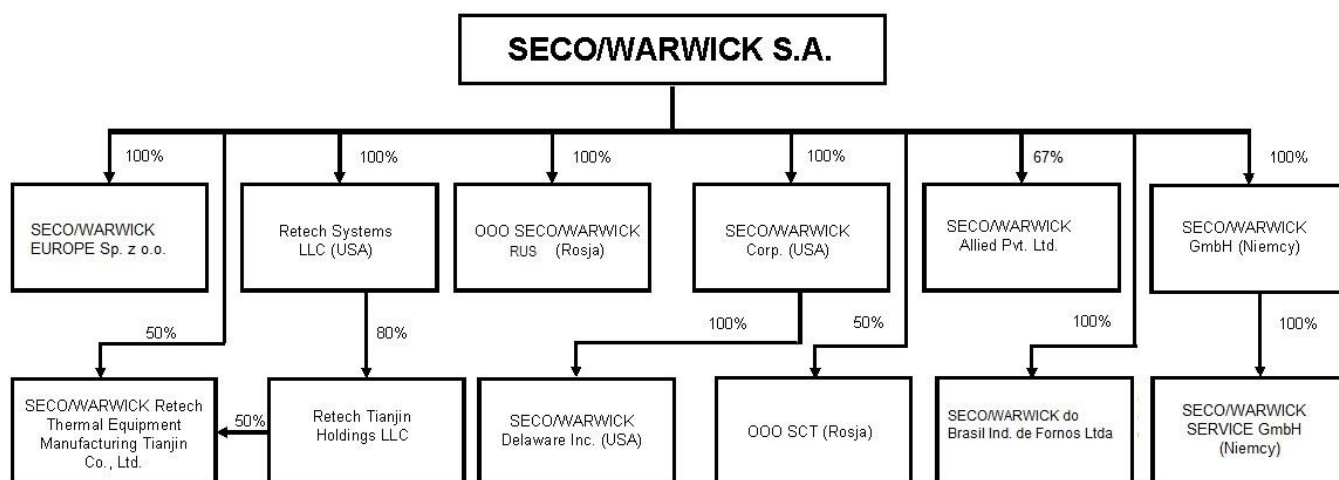
On March 25th 2013, in Current Report No. 05/2013, the Management Board of Seco/Warwick S.A. with registered office in Świebodzin, at ul. Sobieskiego 8, announced that on March 25th 2013 the conditions precedent were fulfilled for purchase of 9,090 Sale Shares and payment of the first instalment of the Selling Price of INR 53,529,280 (PLN [3,156,996], translated at the mid exchange rate quoted by the National Bank of Poland for March 25th 2013), as defined in the agreement for purchase of shares in Seco/Warwick Allied Private Limited of Maharashtra, India ("SWAPL"), made between the Company and SWAPL shareholders. Following acquisition of the 9,090 Sale Shares, the Company will hold 63,765 shares, representing 58.3% of SWAPL's equity and carrying the right to 58.3% of the total votes at its General Meeting.

A conditional agreement to purchase all shares in Engefor Engenharia Indústria e Comércio Ltda (a limited liability company of Jundiaí, established and existing under Brazilian law), conferring the right to 100% of votes at the company's General Meeting, was executed on April 23rd 2013. On May 24th 2013, all conditions precedent for the purchase of 860,000 Sale Shares and payment of the first instalment of the Selling Price, in the amount of BRL 6,000,000 (PLN 9,506,400 at the mid exchange rate quoted by the National Bank of Poland on May 24th 2013), were fulfilled.

On May 22nd 2013, conditions precedent for the purchase of 9,127 Sale Shares were fulfilled. Following the purchase, the Company holds 72,892 shares, representing 66.7% of the company's share capital.

The share capital of OOO SCT was increased on November 30th 2013. SECO/WARWICK S.A. made a non-cash contribution in the form of a furnace worth PLN 3,081,242.87.

SECO/WARWICK Group's structure as at December 31st 2013:



Composition of the SECO/WARWICK Group as at the date of release of this Report

After December 31st 2013 and until the release of this Report, there were no changes in the composition of the SECO/WARWICK Group.

In Q1 2014, the share capital of SECO/WARWICK Retech was increased by PLN 612 thousand.

For information on key domestic and foreign investments (financial instruments, intangible assets and real estate), see Notes to the annual separate financial statements of SECO/WARWICK S.A. No equity investments were made outside the group of related entities.

3. Changes in significant management policies at the Company and the Group

On January 2nd 2013, an agreement was executed for the disposal of organised part of business of SECO/WARWICK S.A., comprising tangible and intangible assets used in manufacturing and distribution activities, liabilities related to the manufacturing and distribution activities, and the Company's employees involved in the manufacturing and distribution activities, which was to be effected through contribution of the organised part of business to a SECO/WARWICK Group subsidiary, SECO/WARWICK EUROPE ("Subsidiary") of Świebodzin, in exchange for shares in the increased share capital of the Subsidiary.

The transfer of the organised part of business was a part of the Group's New Growth Strategy presented in Current Report No. 28/2012. The disposal allowed the Group to consolidate its Polish operations within a single entity, SECO/WARWICK EUROPE.

The Parent (SECO/WARWICK S.A.) focused on the strategic and financial management of the SECO/WARWICK Group. SECO/WARWICK S.A., acting as the holding company, exercised corporate governance and provided strategic management services to the subsidiaries of the SECO/WARWICK Group.

4. Amount of remuneration, bonuses and benefits, benefits under share-based incentive and bonus schemes, including schemes based on bonds with pre-emptive rights, convertible bonds or subscription warrants, paid, payable or potentially payable, presented separately for each member of the management and supervisory staff at the SECO/WARWICK Group

MANAGEMENT BOARD

Members of the Management Board receive remuneration based on their respective employment contracts. Any severance or compensation payments are governed by the Labour Code. The amount of remuneration payable to the Management Board members was defined in resolutions passed by the Company's Supervisory Board on February 1st 2007, April 28th 2008, January 12th 2012, and December 5th 2013.

Table: Remuneration to members of the Management Board of SECO/WARWICK S.A. for 2013 (PLN '000)

<u>MANAGEMENT BOARD</u>	Remuneration for the period	Other benefits	Total remuneration for the period
Paweł Wyrzykowski	1,529	41	1,570
Wojciech Modrzyk	510	25	535
Jarosław Talerzak	443	18	461
Total	2,482	84	2,566

SUPERVISORY BOARD

The Supervisory Board members are entitled to monthly remuneration in the amount specified by the General Meeting, payable on or before the 15th day of the month following the month for which the remuneration is due. The remuneration covers all expenses related to the performance of duties of a Supervisory Board member. Supervisory Board members are not entitled to severance payments.

Table: Remuneration to members of the Supervisory Board of SECO/WARWICK S.A. for 2013 (PLN '000)

<u>Name and surname</u>	<u>Remuneration</u>
Andrzej Zawistowski – Chairman of the Supervisory Board	268
- for his work as Chairman of the Supervisory Board	120
- under agreement for advisory services*	148
Henryk Pilarski – Deputy Chairman of the Supervisory Board	54
Zbigniew Rogóż – Member of the Supervisory Board	42
Gutmann Habig – Member of the Supervisory Board	46
Witold Klinowski – Member of the Supervisory Board (since January 1st 2013)	120
- for his work as Member of the Supervisory Board	42
- under agreement for advisory services**	78
Jeffrey Boswell ⁽¹⁾ – Member of the Supervisory Board	-
James A. Goltz ⁽²⁾ – Member of the Supervisory Board	-
Total	530

* Under a service agreement between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities under the name USŁUGI DORADCZE Andrzej Zawistowski. The agreement of July 2nd 2012 is for the provision of technical and product development advisory services.

** In respect of the employment contract concluded on Jan. 7, 2013, and the agreement concluded on Oct. 3, 2013, on the technical advisory and consultancy services in the field of product development between SECO / WARWICK EUROPE Ltd.. and Mr. Witold Klinowski.

(1) No remuneration is paid by the Company to Jeffrey Boswell, but the Company covers all costs related to his stay in Poland while performing the duties of a member of the Supervisory Board, including costs of hotel accommodation (board and lodging), as well as costs of travel in the territory of Poland. These are the only financial benefits received by Mr Boswell from the Company in respect of his duties. In 2013, the costs amounted to PLN 600.

(2) No remuneration is paid by the Company to James A. Goltz, but the Company covers all costs related to his stay in Poland while performing the duties of a member of the Supervisory Board, including costs of hotel accommodation (board and lodging), as well as costs of travel in the territory of Poland. These are the only financial benefits received by Mr Goltz from the Company for in respect of his duties. In 2013, the costs amounted to PLN 2.5 thousand.

5. Agreements between the Group companies and its management staff, providing for compensation in the event of resignation or removal from office without a good reason or following acquisition of SECO/WARWICK S.A. by another company

Employment contracts between the Company and its management staff do not provide for any compensation in the event of resignation or removal from office. Any severance or compensation payments are governed by the Labour Code, and the employment contracts do not contain any other specific provisions in this respect. Similarly, the contracts do not provide for severance payments in the event of removal from office or termination of contract caused by acquisition of SECO/WARWICK S.A. by another company.

6. Par value and number of SECO/WARWICK shares and shares in related entities of the Parent held by the management and supervisory staff (presented separately for each person)

	Jan 1 2013				Dec 31 2013			
	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Decrease/increase	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Total par value of shares (PLN)
Management Board								
Paweł Wyrzykowski	13,541	0.13%	0.13%	84,796	98,337	0.92%	0.92%	19,667
Wojciech Modrzyk	400	0.004%	0.004%	25,558	25,958	0.24%	0.24%	5,192
Jarosław Talerzak	-	-	-	25,558	25,558	0.24%	0.24%	5,192
Supervisory Board								
Andrzej Zawistowski	-	-	-	-	-	-	-	-
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Henryk Piłarski	100	0.001%	0.001%	-	100	0.0009%	0.0009%	20
Witold Klinowski	-	-	-	-	-	-	-	-
James A. Goltz	-	-	-	-	-	-	-	-
Zbigniew Rogóż	-	-	-	-	-	-	-	-
Dr Gutmann Habig	-	-	-	-	-	-	-	-
Commercial proxies								
Piotr Walasek	-	-	-	15,335	15,335	0.14%	0.14%	3,067
Katarzyna Kowalska	-	-	-	-	-	-	-	-
Total	23,817	0.23%	0.23%	151,247	175,464	1.63%	1.63%	35,093



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Item	Jan 1 2013	Item	Dec 31 2013
Number of shares	10,476,210	Number of shares	10,680,197
Par value per share	0.20	Par value per share	0.20
Share capital	2,095,242.00	Share capital	2,136,039.40

Members of the Management Board and Supervisory Board of SECO/WARWICK S.A. do not hold any shares in related entities.

The Management Board of SECO/WARWICK S.A. announced that on July 17th 2013 it received notifications under Art. 160 of the Act on Trading in Financial Instruments ("Notifications") from three Management Board Members and a Commercial Proxy.

According to the Notifications delivered to the Company, on July 17th 2013 the three Management Board Members and the Commercial Proxy acquired – under the 2012–2016 Incentive Scheme approved by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012 – a total of 128,889 Series E shares in the Company, with a par value of PLN 0.20 per share, at the issue price of PLN 0.20 per share.

Details of the transactions:

1. Acquisition by a Management Board Member of 84,796 shares at the issue price of PLN 0.20 per share on July 17th 2013;
2. Acquisition by a Management Board Member of 16,959 shares at the issue price of PLN 0.20 per share on July 17th 2013;
3. Acquisition by a Management Board Member of 16,959 shares at the issue price of PLN 0.20 per share on July 17th 2013;
4. Acquisition by a Commercial Proxy of 10,175 shares at the issue price of PLN 0.20 per share on July 17th 2013.

The Management Board of SECO/WARWICK S.A. reported that on December 3rd 2013 it received notifications under Art. 160 of the Act on Trading in Financial Instruments ("Notifications") from two Management Board Members and a Commercial Proxy.

According to the Notifications delivered to the Company, on December 3rd 2013 the two Management Board Members and the Commercial Proxy acquired – under the 2012–2016 Incentive Scheme approved by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012 – a total of 22,358 Series E shares in the Company, with a par value of PLN 0.20 per share, at the issue price of PLN 0.20 per share.

Details of the transactions:

1. Acquisition by a Management Board Member of 8,599 shares at the issue price of PLN 0.20 per share on December 3rd 2013;
2. Acquisition by a Management Board Member of 8,599 shares at the issue price of PLN 0.20 per share on December 3rd 2013;
3. Acquisition by a Commercial Proxy of 5,160 shares at the issue price of PLN 0.20 per share on December 3rd 2013.

7. Agreements (including agreements executed after the end of the reporting period) known to Group, which may result in changes in the proportions of shares held by the current shareholders and bondholders

Key terms of the 2012–2016 Incentive Scheme:

1. The person serving as President of the Management Board as at the date of the Resolution ("**President of the Management Board**") and the key company employees indicated by the President of the Management Board in consultation with the Supervisory Board (jointly with the President of the Management Board - the "**Eligible Persons**") will be eligible for participation in the 2012–2016 Incentive Scheme. With respect to each Eligible Person other than the President of the Management Board, an a_i ratio, referred to in Par. 2.11 below, will be determined along with the indication of the person. A list of Eligible Persons will be prepared by the Supervisory Board in consultation with the President of the Management Board within three months from the date of the Resolution.

2. The 2012–2016 Incentive Scheme will include up to 500,000 (five hundred thousand) of Company Series E shares (“**Series E Shares**”). The President of the Management Board will be entitled to acquire up to 250,000 (two hundred and fifty thousand) Series E Shares, and the other Eligible Persons will have the right to acquire the maximum of the remaining 250,000 (two hundred and fifty thousand) Series E Shares.

3. Under the 2012–2016 Incentive Scheme, Eligible Persons will be entitled to acquire Series B subscription warrants (“**Series B Warrants**”) free of charge. Series B Warrants will confer the right to acquire Series E Shares at their par value of PLN 0.20 (twenty grosz) per share.

4. One Series B Warrant will confer the right to acquire one Series E Share.

5. The 2012–2016 Incentive Scheme will be implemented by way of resolutions passed by the General Meeting on conditional share capital increase by up to PLN 100,000 (one hundred thousand zloty), through an issue of up to 500,000 (five hundred thousand) Series E Shares and an issue of up to 500,000 (five hundred thousand) Series B Warrants, with full waiver of the existing shareholders’ pre-emptive rights to all Series E Shares and Series B Warrants.

6. The 2012–2016 Incentive Scheme is planned to cover a period of four years starting from the date of its approval by the General Meeting. The duration of the 2012–2016 Incentive Scheme may be extended by the Supervisory Board making relevant changes in the Rules of the Incentive Scheme.

7. The number of Series B Warrants issued to Eligible Persons will depend on:

(i) the price of the Company shares on the Warsaw Stock Exchange (“**WSE**”), or

(ii) the selling price of shares, whether sold in one or more transactions (including as part of a tender offer), conferring the rights to at least 33% (thirty-three per cent) of the total votes at the General Meeting, by a shareholder or shareholders acting jointly under a memorandum of understanding, agreement, arrangement, or as part of any other relationship in fact or in law, holding in aggregate, directly or indirectly, Company shares conferring the right to at least 33% (thirty-three per cent) of the total votes at the General Meeting (“**Major Shareholder**”; the term may refer to one or more shareholders acting jointly), to a third party (other than a Major Shareholder or a related party of any of the Major Shareholders). If the shares are sold by a Major Shareholder in more than one transaction, then the number of Series B Warrants to be issued to Eligible Persons will be calculated on the basis of the arithmetic mean of the selling prices in all the transactions, weighted by the number of the Company shares sold in a given transaction.

8. An Eligible Person will be entitled to acquire Series B Warrants a number of times during the term of the Incentive Scheme, however, not more frequently than twice in a calendar year. The limited frequency with which the right to acquire Series B Warrants may be exercised does not apply when the exercise of the right by an Eligible Person is based on the sale of the Company shares by a Major Shareholder.

9. An Eligible Person will be entitled to acquire Series B Warrants if:

(i) the average price of the Company shares from the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the Eligible Person is at least PLN 35 (thirty-five zloty) per share, or

(ii) a Major Shareholder decides to sell at least 33% (thirty-three per cent) of all Company shares to an entity other than a Major Shareholder or a related party of a Major Shareholder, at a price of at least PLN 35 (thirty-five zloty) per share. An Eligible Person may acquire Series B Warrants no sooner than 3 (three) months from the date of notifying the Company of his or her intention to acquire Series B Warrants. The Company will procure that Series B Warrants are issued to Eligible Persons no later than within 4 (four) months following the receipt of the notification. Series B Warrants may be issued through an investment firm, acting as a custodian.

10. The maximum number of Series B Warrants which may be acquired by the President of the Management Board will be calculated based on the following formula:

$$Q = 6,666 P - 183,310$$

provided that:

$$\text{for } P < 35\text{PLN} \rightarrow Q = 0$$

$$\text{for } P \geq 35\text{PLN} \rightarrow Q = 250,000$$

where:

Q stands for the number of Series B Warrants;

P stands for, as the case may be, (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the President of the Management Board, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and a buyer.

If the number of Series B Warrants which may be acquired by the President of the Management Board as determined based on the above formula is not an integer, such number will be rounded down to the nearest integer.

Each time the President of the Management Board exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled will be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the President of the Management Board under the 2012–2016 Incentive Scheme.

11. The maximum number of Series B Warrants which may be acquired by an Eligible Person other than the President of the Management Board will be calculated based on the following formula:

$$Q = a_i \times (6,666 P - 183,310)$$

provided that:

$$\text{for } P < 35\text{PLN} \rightarrow Q = 0$$

$$\text{for } P \geq 65\text{PLN} \rightarrow Q = a_i \times 250,000$$

where:

Q stands for the number of Series B Warrants;

P stands for, as the case may be, (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the given Eligible Person, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and a buyer.

a_i is a ratio determined individually for each Eligible Person, provided that:

$$a_i \in (0.1) \text{ and } \sum_{i=1}^n a_i \leq 1$$

If the number of Series B Warrants which may be acquired by an Eligible Person as determined based on the above formula is not an integer, such number will be rounded down to the nearest integer.

Each time an Eligible Person exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled will be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the Eligible Person under the 2012–2016 Incentive Scheme.

12. The number of Series B Warrants acquired by each Eligible Person will in no event be higher than: (i) 250,000 (two hundred and fifty thousand) in the case of Series B Warrants acquired by the President of the Management Board; and (ii) $a_i \times 250,000$ (two hundred and fifty thousand) in the case of an Eligible Person other than the President of the Management Board.

13. The Eligible Person who has acquired Series B Warrants under the 2012–2016 Incentive Scheme will be entitled to acquire Series E Shares at any time, however, no later than by December 31st 2016.

As of December 31st 2013, 203,987 Series E Company shares had been acquired under the 2012–2016 Incentive Scheme for the management personnel of the SECO/WARWICK Group, approved by virtue of Resolution No. 21 of the Annual General Meeting held on May 28th 2012, whereof:

- Paweł Wyrzykowski President of the Board received 84 796 Series E Shares of the fair value of 1,445 thous. zł;
- Wojciech Modrzyk Vice President received 25 558 Series E Shares of the fair value of 435 thous. zł;
- Jarosław Talerzak Vice President received 25 558 Series E Shares of the fair value of 435 thous. zł

8. Control systems for employee stock option plans

With a view to providing additional incentives to the Company's management staff to continue work on the development and consolidation of the SECO/WARWICK Group, and to further increase the value of SECO/WARWICK shares, on May 28th 2012 the Annual General Meeting approved the key objectives of the 2012–2016 Incentive Scheme for members of the

SECO/WARWICK Group's management staff (the "2012–2016 Incentive Scheme"). For a detailed description of the key objectives of the Incentive Scheme see Section 7.

The scheme is supervised by the Supervisory Board and the Management Board of SECO/WARWICK S.A. The Rules of the Incentive Scheme were approved by the Supervisory Board on January 12th 2012.

9. Information on the acquisition of own shares by the Group companies, including information on the purpose of the acquisition, the number and par value of the shares and percentage of the share capital they represent, acquisition price and selling price (in the case of sale)

None of the Group companies acquired own shares in 2013.

10. Discussion of key financial and economic data contained in the annual consolidated financial statements and of factors and events, including non-recurring ones, with a material effect on the Group's operations and profits earned or losses incurred in the financial year; discussion of development prospects in a period covering at least the next financial year

STATEMENT OF COMPREHENSIVE INCOME

In 2013 the growth of the SECO / WARWICK has been halted . The company recorded revenues of PLN 488 million (98.1 % of revenue last year) .

Sale of the main companies of the Group was lower than in the previous year : NW Europe by -4.2 % (2013 : 224.2 million PLN , 2012 : 234.2 million PLN) , Retech LLC -14 % (2013 : 160.3 million PLN , 2012 : 186.4 million PLN) , SWC : -4.2 % (2013 : 94.2 million PLN , 2012 : PLN 98.4 million) , which was partially offset by the sale of new companies: SW Allied (India) PLN 19.2 million (sales for the nine months 2013 years) , SW Brazil 5.1 million PLN (sales for 7 months 2013).

In 2013, the Group's companies have won orders worth 401 million PLN , which was significantly below the level of 2012 (PLN 624 million) . Therefore, the level of backlog decreased compared to the previous year and stood at the end of 2013 PLN 301 million (end of 2012 : PLN 349 million) .

In 2013, there were changes in the structure of sales. The Group recorded an increase in sales in the atmosphere furnaces segments (55.2 %) and CAB (34.2 %) , while lowering the sale of furnaces Vacuum (-11.7 %) , melting furnaces (-9.7 %) and the Aluminum segment (16.6 %).

In 2013 in comparison to 2012 there were also changes in realized gross margins from the sale of individual segments. The average gross margin on sales decreased from 23.9% to 23.3 % . Margins have improved in the areas of Vacuum Furnaces (2013 : 30.7% , 2012 : 25.6 %) and slightly melting furnaces (2013 : 23.5% , 2012 : 23.1%) slightly changed the margin in the segment of the CAB (2013 : 26.4% , 2012 : 28.7 %) , while margins in the segments of atmosphere furnaces and Aluminium Process fell from 21.8 % to 15.9 % and 27.3 % to 7.3% .

Gross profit amounted to PLN 113.9 million , which decreased compared to the previous year by 4.3 % .

Group in connection with the increase in cost of sales , general and administrative (from 80,069 thousand . PLN in 2012 to 95,128 thousand . PLN in 2013) , the surplus of note other operating expenses over revenues and a slight decrease in gross profit margin achieved operating profit amounting to 18,645 thousand . PLN , which is 47 % of last year's value.

In 2013, the Group recorded a surplus of financial revenue over costs in the amount of PLN 2,393 thousand , mainly due to the measurement of liabilities in connection with the acquisition of the Brazilian company .

After taking into account the tax burden SECO / WARWICK Group achieved in 2013 net profit of PLN 15,221 thousand . PLN (in 2012 net profit of the Group amounted to 28.170 thousand . PLN) .

Return on net profit was 3.1 % , return on equity was 6.0 % .

STATEMENT OF FINANCIAL POSITION

In 2013 in comparison with 2012, there was a 13.5 % increase in total assets (with 426,613 thousand . PLN 426,613 thousand to . PLN) . On the assets side were increased primarily fixed assets (28.1 %) , with only slightly altered assets (+4.7 %) . These changes are due to the acquisition of two new companies and starting in 2013 the full consolidation . The largest increase in current assets was recorded at positions : inventory, accounts receivable and contracts , while approximately 18% decreased level of cash in the Group (44,268 thousand . Compared to PLN 55,556 thousand . PLN at the end of 2012 - the funds have been spent on investments in the new company). Changes in these positions demonstrate the consistent implementation of the investment strategy presented to investors .

On the liabilities side in 2013 compared to 2012 we see an increase in both long-term and short-term liabilities and a slight increase in equity. Therefore, the structure changed liabilities. The share of equity (from 58.8 % in 2012 , to 53.7%) while increasing the share of long - and short-term (respectively, an increase from 7.8% to 10.4 % and from 33.4 % to 35 , 9 %). Despite these changes, still the main source of funding for SECO / WARWICK Group 's equity. The consequence of the acquisition of new companies by the Group is a natural increase in liabilities , primarily commercial (2013 : 56,473 thousand . PLN , 2012 : 32,485 thousand . PLN) , provisions for liabilities and loans and short-term (2013 : 34,119 thousand . PLN ; 2012 : 19 099 thousand . PLN) .

At the end of the analyzed period, the share of foreign funding in total liabilities increased from 41.2 % to 46.3 %.

Liquidity ratios of the first and second degree changed slightly compared to the previous year and amounted to 1.6 and 1.4 (1.9 and 1.7 in 2011) . Liquidity ' fast ' company has also slightly lower (third-degree liquidity ratio fell from 0.4 to 0.3)

In 2013, the golden rule has been retained amount, which means that the assets are fully covered by equity. This shows also that the SECO / WARWICK Group has fully financial independence .

Also noteworthy are the indications of getting better efficiency of resource management in the Group. Further improved receivables turnover cycles (from 77 to 71 days) and asset turnover ratios , both fixed and rotary . Turnover of inventory and accounts payable were adjustments in relation to 2012 . Inventories turnover deteriorated from 26 to 30 days, while liabilities were paid an average of over 154 days (compared to 131 days in 2012) . Turnover of assets , particularly fixed assets (7.5) indicate a good use of the existing production capacity of the Group

STATEMENT OF CASH FLOWS

In 2013 , the Group generated positive cash flows at the level of 7919 thousand . PLN , which was much lower amount compared to 56,937 thousand . PLN in 2012. Apart from the significantly lower gross profit (18,465 thousand . Compared to PLN 39,537 thousand . PLN in 2012) , the level of operating cash flows have the greatest impact : changes in accruals (- 25,739 thousand . PLN) Income tax paid (-19,129 thousand . PLN) and losses from foreign exchange differences (-5,949 thousand . PLN) , adjusted by the change in current liabilities (11,431 thousand . PLN) , the change in current liabilities and provisions (respectively 8.911 and 8.063 thousand . PLN) .

In 2013 compared with 2012, cash flows from investing activities in line with earlier expectations doubled (2013 : -19,970 thousand . PLN ; , 2012: -9,724 thousand . PLN) , mainly due to the purchase of shares in the Brazilian and Indian companies .

Financial flows are mainly incurrence and repayment of borrowings . In 2013, the value of loans and borrowings was virtually razed to the repayment of loans and interest on them. The balance of financial flows for 2,013 years was 735 thousand . PLN .

As a result, cash and cash equivalents at the end of 2013 decreased compared to 2012 by 11 316 thousand . PLN 44,270 thousand level . PLN .

Analyzing the results of 2013 , the size of the backlog at the end of the year and the budgets of individual companies , as well as information from the market , the Board is optimistic about the prospects for the Group. Year 2013 was a year of unusual when it comes to financial performance - to Consolidated entered into a new company (Brazil, India) , very poor results recorded a Chinese company . In contrast, the results for 2012 remained heavily influenced by the good results Retech LLC, which received a significant order one gained at the beginning of the year.

All of the Company SECO / WARWICK Group are focused on cost optimization , search savings and maximizing profits . The results , however, also depend on the size of the backlog , which, unfortunately, compared to the previous year proved to be significantly lower. The Management of companies and authorities make every effort to acquire the Company's new orders , which should translate into improved results in 2014.

11. Assessment of factors and non-recurring events with a bearing on the Group's results for the financial year; the extent to which such factors or non-recurring events affected the results

For an analysis and assessment of factors and non-recurring events and their effect on the Group's results see Section 10 of this Report.

12. Information on the Company's markets, broken down into domestic and foreign markets, on the Company's supply sources for production materials, goods and services, including information on dependence, if any, on any single customer or supplier, or a group of customers or suppliers, and where the share of a single customer or supplier in total revenue equals or exceeds 10% – the company name of such customer or supplier, its share in total sales or purchases, and its formal links with SECO/WARWICK S.A.

Geographical segments based on the Company's markets The Company has identified the following segments:

- the EU market,
- the Russian, Belarus, Ukraine market,
- the US market,
- the Asian market,
- other countries.

The Group purchases the majority of materials used in the production of heat treatment equipment on the three main markets.

The first and the largest market from which the Group sources production materials is the domestic market. It is followed by the EU (where Germany is the largest supplier). The U.S. market is the third supply market for the Group in terms of both importance and volume.

In addition to these three main supply markets, the Group also purchases production materials from India, China and Japan.

With such a broad supplier base and access to numerous markets, the Group does not depend on any single supplier (there is no single supplier whose share in total revenue exceeds 10%), and thus has secured uninterrupted production of heat treatment equipment.

The markets in which the customers buying the Group's products operate include the automotive, aviation, power, machine-tool, medical equipment, electrical engineering and machine-building industries. The economic situation on those markets affects the situation of many other associated markets. The Group supplies its products both to manufacturers from the abovementioned industries and to their suppliers. The Company's customers are both manufacturers of cars and planes, and producers of individual components and machine spare parts. The machine-building industry as a group of customers for the Group's products represents a major part of the economy and its development follows the development of the GDP. In 2013, no single customer represented 10% or more of the Group's total revenue.

13. Agreements significant to the Group's business, including shareholder agreements known to the Group, insurance, partnership or cooperation agreements

In 2013, SECO/WARWICK S.A. and other SECO/WARWICK Group companies signed the following significant agreements:

Disposal of an organised part of SECO/WARWICK S.A.'s business

In Current Report No. 01/2013 of January 3rd 2013, the SECO/WARWICK Management Board reported on the acquisition of shares in a subsidiary. On December 18th 2012, the Extraordinary General Meeting of SECO/WARWICK EUROPE of Świebodzin, a wholly-owned subsidiary of SECO/WARWICK S.A., passed Resolution No. 1/2012 on share capital increase at SECO/WARWICK EUROPE through the issue of new Series B ordinary registered shares, which were offered to SECO/WARWICK S.A. in a private placement in exchange for a non-cash contribution (the "Contribution"). Pursuant to the Resolution, the share capital of SECO/WARWICK EUROPE was increased. On January 2nd 2013, SECO/WARWICK EUROPE submitted to SECO/WARWICK S.A. an invitation to acquire the New Shares. The Company accepted the invitation and executed with SECO/WARWICK EUROPE a share purchase agreement concerning the New Shares. Under the Share Purchase Agreement, SECO/WARWICK S.A. acquired the New Shares for a total issue price of PLN 82,218,000 in exchange for the Contribution.

On January 3rd 2013, in Current Report No. 02/2013 the Management Board of SECO/WARWICK S.A. reported the disposal of an organised part of the Company's business to a subsidiary as a contribution to cover the subsidiary's new issue shares. An agreement was executed for the disposal of SECO/WARWICK S.A.'s organised part of business comprising tangible and intangible assets used in manufacturing and distribution activities, liabilities related to the manufacturing and distribution activities, and the Company's employees involved in the manufacturing and distribution activities, which was to be effected through contribution of the organised part of business to a SECO/WARWICK Group subsidiary, SECO/WARWICK EUROPE ("Subsidiary") of Świebodzin, in exchange for shares in the increased share capital of the Subsidiary. The transfer of the organised part of business was a part of the Group's New Growth Strategy presented in Current Report No. 28/2012. The disposal will allow the Group to consolidate its Polish operations within a single entity,

SECO/WARWICK EUROPE. The Parent (SECO/WARWICK S.A.) will focus on the strategic and financial management of the SECO/WARWICK Group. SECO/WARWICK S.A., acting as the holding company, will exercise ownership and provide strategic management services to the subsidiaries of the SECO/WARWICK Group.

Indian market – increased equity interest in SECO/WARWICK Allied

In Current Report No. 04/2013 of March 22nd 2013, the Management Board of SECO/WARWICK S.A. reported that the Company and shareholders (the “Selling Shareholders”) of Seco/Warwick Allied Private Limited of Maharashtra, India (“SWAPL”), in which the Company holds a 50% interest, representing 50% of SWAPL’s equity and carrying the right to 50% of the total votes at the General Meeting of SWAPL, entered into a conditional agreement for the purchase by the Company of 27,339 SWAPL shares, representing 25% of SWAPL’s equity and carrying the right to 25% of the total votes at its General Meeting (the “Sale Shares”) (the “Agreement”). Pursuant to the Agreement, the acquisition of Sale Shares by the Company is contingent on fulfilment – to the Company’s satisfaction – of certain conditions precedent, listed in the Current Report. Under the Agreement, the total selling price for the Sale Shares is INR 161,000,000 (PLN 9,590,609, translated at the mid exchange rate quoted by the National Bank of Poland for March 22nd 2013) (the “Selling Price”), with the total Selling Price to be paid by the Company in three instalments, upon fulfilment of conditions precedent to each payment.

In Current Report No. 05/2013 of March 25th 2013, the Management Board of SECO/WARWICK S.A. reported that on March 25th 2013 the conditions precedent had been fulfilled for the purchase of 9,090 Sale Shares and for payment of the first instalment of the Selling Price of INR 53,529,280 (PLN 3,156,996, translated at the mid exchange rate quoted by the National Bank of Poland for March 25th 2013), as defined in the agreement for purchase of shares in Seco/Warwick Allied Private Limited of Maharashtra, India (“SWAPL”), made between the Company and SWAPL’s shareholders. Following acquisition of the 9,090 Sale Shares, the Company will hold 63,765 shares, representing 58.3% of SWAPL’s equity and carrying the right to 58.3% of the total votes at its General Meeting.

In Current Report No. 16/2013, which made reference to Current Report No. 4/2013 of March 22nd 2013, the SECO/WARWICK Management Board reported that on May 22nd 2013 the conditions precedent had been fulfilled for the purchase of 9,127 Sale Shares and for payment of the second instalment of the Selling Price of INR 53,748,240 (PLN 3,130,620, translated at the mid exchange rate quoted by the National Bank of Poland for May 22nd 2013), as defined in the agreement for purchase of shares in SECO/WARWICK Allied Private Limited of Maharashtra, India (“SWAPL”), made between the Company and SWAPL’s shareholders.

Following the acquisition of 9,127 Sale Shares, the Company will hold 72,892 shares, representing 66.7% of the SWAPL’s share capital and carrying the right to 66.7% of the total votes at the General Meeting of SWAPL.

Brazilian market – acquisition of a 100% equity interest in SECO/WARWICK do Brasil Ind. de Fornos Ltda.

In Current Report No. 08/2013, the SECO WARWICK Management Board reported that on April 23rd 2013 it executed a conditional agreement (the “Agreement”) to purchase 860,000 shares with a par value of BRL 1 per share (PLN 1.5739), held by Brazilian citizens Aparicio Vilademir de Freitas and Yassuhiro Sassaqui (the “Sellers”), representing 100% of the share capital of Engefor Engenharia Indústria e Comércio Ltda, a limited liability company of Jundiaí, established and existing under Brazilian law, and conferring the right to 100% of the total votes at the company’s general meeting (the “Purchase Shares”). The Agreement was also executed by the Company and the spouses of the Sellers.

In Current Report No. 17/2013, which made reference to Current Report No. 8/2013 of April 24th 2013, the SECO/WARWICK Management Board reported that on May 24th 2013 all conditions precedent had been fulfilled for the purchase of 860,000 Sale Shares and for payment of the first instalment of the Selling Price of BRL 6,000,000 (PLN 9,506,400, translated at the mid exchange rate quoted by the National Bank of Poland for May 24th 2013), as defined in the agreement for purchase of shares in Engefor Engenharia Indústria e Comércio Ltda of Jundiaí, Brazil, made between SECO/WARWICK S.A. and the company’s shareholders.

Other significant agreements:

In Current Report No. 14/2013, the Management Board of SECO/WARWICK S.A. reported that on May 15th 2013 it was notified that its subsidiary SECO/WARWICK EUROPE of Świebodzin had signed fourteen contracts with BISON-BIAL S.A. of Białystok for the manufacture and delivery of heat treatment equipment. The total value of the contracts is PLN 19,643,050.

In Current Report No. 15/2013, the Management Board of SECO/WARWICK S.A. reported that between November 22nd 2012 and May 16th 2013 SECO/WARWICK EUROPE executed with BRE Bank S.A. of Warsaw ten forward contracts to sell a total of EUR 3,115,000 (PLN 12,966,379) and twelve forward contracts to sell a total of USD 4,930,000 (PLN 15,650,168). The total value of the contracts is PLN 28,616,547. The forward contract to sell a total of EUR 900,000 (PLN 3,758,580) concluded between SECO/WARWICK EUROPE and BRE Bank S.A. of Warsaw on January 21st 2013 was the contract with the highest value.

In Current Report No. 21/2013, the Management Board of SECO/WARWICK S.A. reported that between August 31st 2012 and June 12th 2013 SECO/WARWICK S.A. and its subsidiary, SECO/WARWICK EUROPE, executed with Bank Zachodni WBK S.A. of Wrocław 13 forward contracts to sell a total of EUR 3,700,000 (PLN 15,418,655) and six forward contracts to sell a total of USD 880,000 (PLN 2,871,776). The total value of the contracts is PLN 18,290,431. The forward contract to sell EUR 800,000 (PLN 3,298,480), concluded between the Company's subsidiary SECO/WARWICK EUROPE and Bank Zachodni WBK S.A. of Wrocław on January 14th 2013, was the contract of the highest value.

In Current Report No. 25/2013, the Management Board of SECO/WARWICK S.A. reported that between October 10th 2012 and July 18th 2013 the Company and its subsidiary, SECO/WARWICK EUROPE, executed with HSBC Bank Polska S.A. of Warsaw 16 forward contracts to sell a total of EUR 5,611,000 (PLN 23,519,852) and five forward contracts to sell a total of USD 1,020,000 (PLN 3,294,100). The total value of the contracts is PLN 26,813,952. The forward contract to sell a total of EUR 900,000 (PLN 3,670,920), concluded between the Company and HSBC Bank Polska S.A. of Warsaw on October 10th 2012, was of the highest value.

In Current Report No. 27/2013, the Management Board of SECO/WARWICK S.A. reported that between June 14th 2013 and August 14th 2013 eleven forward contracts to sell a total of EUR 4,500,000 (PLN 19,090,763), four forward contracts to sell a total of USD 469,000 (PLN 1,520,029), and three forward contracts to sell a total of GBP 315,000 (PLN 1,570,307) were entered into by the Company's subsidiary SECO/WARWICK EUROPE with BRE Bank S.A. of Warsaw. The value of the forward contracts totals PLN 22,181,098. The forward contract to sell a total of EUR 1,800,000 (PLN 7,642,260) concluded between the Company's subsidiary SECO/WARWICK EUROPE and BRE Bank S.A. of Warsaw on July 19th 2013 was the contract with the highest value.

In Current Report No. 36/2013, the Management Board of SECO/WARWICK S.A. reported that between January 21st 2013 and September 30th 2013 SECO/WARWICK EUROPE executed with Bank Handlowy w Warszawie S.A. seventeen forward contracts to sell a total of EUR 4,302,000 (PLN 18,148,896) and four forward contracts to sell a total of USD 600,000 (PLN 1,946,000). The value of the forward contracts totals PLN 20,094,896. The forward contract to sell a total of EUR 1,450,000 (PLN 6,055,490) concluded between the Company's subsidiary SECO/WARWICK EUROPE and Bank Handlowy w Warszawie S.A. of Warsaw on January 21st 2013 was the contract with the highest value.

In Current Report No. 41/2013, the Management Board of SECO/WARWICK S.A. reported that between July 30th 2013 and November 5th 2013 SECO/WARWICK EUROPE, the Company's subsidiary, executed with HSBC Bank Polska S.A. of Warsaw eighteen forward contracts to sell a total of EUR 4,510,000 (PLN 19,040,837). The forward contract to sell a total of EUR 900,000 (PLN 3,798,180), concluded between the Company's subsidiary SECO/WARWICK EUROPE and HSBC Bank Polska S.A. of Warsaw on July 30th 2013, was the contract of the highest value.

In 2013, SECO/WARWICK S.A. did not enter into any significant insurance, partnership or cooperation agreements. Likewise, the Company has no knowledge of any significant shareholder agreements.

14. Related-party transactions concluded by the Group other than arm's length transactions

In 2013, SECO/WARWICK S.A. and its subsidiaries did not enter into any transactions with related entities other than transactions executed on an arms' length basis.

15. Information on agreements on borrowings and other debt instruments executed or terminated in the financial year, including at least information on the types, amounts and interest rates, as well as currencies and repayment dates

Lender	Borrowing amount		Repayment date	Security	Interest rate	Type
	PLN ('000)	Currency ('000)				
Current						
HSBC	2,187	USD 726	-	Guarantee	3.00%	Overdraft facility
HSBC	2,108	USD 700	Jan 9 2014	Guarantee	3.25%	Overdraft facility



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HSBC	123	RMB 248	Mar 7 2014	Guarantee	7.60%	Overdraft facility
HSBC	131	RMB 262	Mar 17 2014	Guarantee	7.60%	Overdraft facility
HSBC	240	RMB 483	Apr 25 2014	Guarantee	7.60%	Overdraft facility
HSBC	401	RMB 806	Jun 6 2014	Guarantee	7.60%	Overdraft facility
CITI BANK	160	RMB 322	May 7 2014	SBLC	7.00%	Overdraft facility
CITI BANK	195	RMB 392	May 12 2014	SBLC	7.00%	Overdraft facility
CITI BANK	342	RMB 688	May 12 2014	SBLC	7.00%	Overdraft facility
CITI BANK	258	USD 86	May 12 2014	SBLC	5.00%	Overdraft facility
CITI BANK	116	RMB 234	May 21 2014	SBLC	7.00%	Overdraft facility
CITI BANK	87	RMB 174	Jun 11 2014	SBLC	7.00%	Overdraft facility
Bank Deutsche Kraftfahrzeuggewerbe	23	EUR 5	May 1 2017	Guarantee	6.78%	Overdraft facility
Toyota Kreditbank	232	EUR 56	Nov 1 2018	-	5.90%	Overdraft facility
BNP Paribas	68	EUR 16	Nov 15 2017	-	7.00%	Overdraft facility
Mercedes Benz	40	EUR 10	May 30 2017	-	5.83%	Overdraft facility
Commerzbank	1,244	EUR 300	31.15.2015	Assignment of rights to receivables, guarantee	2.98%	Overdraft facility
Commerzbank	792	EUR 191	31.15.2015	Assignment of rights to receivables, guarantee	6.25%	Overdraft facility
Martin van Rossum	104	EUR 25	-	-	10%	Credit facility
Heiner Kelputt	104	EUR 25	-	-	10%	Credit facility
Banco Itaú	60	R\$ 47	Apr 1 2014	-	1.6%	Overdraft facility
Banco Itaú	184	R\$ 145	Nov 5 2014	-	1.87%	Overdraft facility
Banco Itaú	183	R\$ 144	Jul 25 2014	-	1.5%	Overdraft facility
Banco Itaú	135	R\$ 106	Jun 22 2015	-	2.07%	Overdraft facility
Banco Brasil	604	R\$ 471	Feb 15 2014	-	1.33%	Overdraft facility



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Banco Brasil	143	R\$ 113	Jun 10 2015	-	1.52%	Overdraft facility
HSBC Bank	1,454	INR 29,813	Mar 11 2014	SBLC	13.75%	Overdraft facility
Union Bank of India	439	INR 9,001	-	-	10.00%	Overdraft facility
Union Bank of India	2,039	INR 41,810	Sep 13 2021	-	13.00%	Overdraft facility
Union Bank of India	3,031	INR 62,162	-	-	13.00%	Overdraft facility
Union Bank of India	65	INR 1,334	Jan 31 2014	-	14.00%	Overdraft facility
Union Bank of India	39	INR 794	Aug 30 2020	-	10.45%	Overdraft facility
Union Bank of India	34	INR 691	Aug 30 2020	-	10.45%	Overdraft facility
Kotak Mahindra bank	1,092	INR 22,392	Oct 10 2018	-	12.75%	Overdraft facility
Citi bank	1,102	INR 22,603	May 31 2014	SBLC	12.75%	Overdraft facility
HSBC Bank	494	INR 10,113	Mar 26 2014	SBLC	13.75%	Overdraft facility
Indian Partners	2,495	INR 51 182	-	-	-	Preference Shares*
Non-current						
BRE BANK S.A. Zielona Góra Branch	3,012	USD 1,000	Dec 31 2015	Ordinary mortgage for USD 2,500,000 Ceiling mortgage for USD 250,000 Submission to enforcement for up to USD 2,750,000	1M LIBOR + 1.55%	Investment overdraft facility
Bank Handlowy	8,560	USD 2,842	Apr 27 2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law	3M LIBOR + 1.80%	Investment overdraft facility
Total:	34,119					

* preference shares classified by SECO / WARWICK Allied credit as a liability due to the fact that bear interest and will be returned to shareholders Hindu

16. Sureties and guarantees issued and received in the financial year

Contingent liabilities under guarantees for the end of 2013 amounted to 75,509 thousand. zł, while at the end of 2012 49,278 thousand. zł. The guarantees were granted the title:

- APG → advance payment guarantee
- BB → bid bond
- CRG → credit repayment guarantee
- PBG → performance bond guarantee
- SBLC → stand-by letter of credit
- WAD → bid bond guarantee
- CRB → credit repayment bond



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Including PLN 21,317 thousand in contingent liabilities under guarantees issued to related entities as at December 31st 2013.

Table: Sureties advanced by the Parent, SECO/WARWICK S.A.

Company	Bank	Surety in respect of	Currency	Dec 31 2013	AMOUNT (PLN)
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	258,200	12,589
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	75,300
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500*	10,542
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800**	5,422
TOTAL					103,853

* The amount drawn by Retech Systems under the available credit facilities as at December 31st 2013 was USD 726 thousand.

** The amount drawn by SW Corp under the available credit facilities as at December 31st 2013 was USD 700 thousand.

Table: Guarantees received as at December 31st 2013:

	As at Dec 31 2013 (PLN '000)	As at Dec 31 2012 (PLN '000)
Contingent receivables	425	-
from related entities	-	-
from other entities (including)	425	-
- guarantees	425	-

17. Information on loans advanced in the financial year, in particular loans to related entities, including at least information on the types, amounts and interest rates, as well as the currencies and repayment dates

No loans were advanced to members of the Management Board or the Supervisory Board in 2013.

On December 17th 2012, SECO/WARWICK S.A. advanced a EUR 600 thousand loan to its subsidiary, SECO/WARWICK GmbH.

On February 1st 2013, SECO/WARWICK S.A. advanced a EUR 150 thousand loan to its subsidiary, SECO/WARWICK Service GmbH.

On March 27th 2013, SECO/WARWICK S.A. advanced a EUR 100 thousand loan to its subsidiary, SECO/WARWICK Service GmbH.

On November 21st 2013, SECO/WARWICK S.A. advanced a RUB 6,000 thousand loan to its subsidiary, OOO SCT.

In 2012, impairment losses on loans advanced totalled PLN 821 thousand at SECO/WARWICK S.A. As at December 31st 2013, impairment losses on loans advanced remained unchanged.

In 2013, SECO/WARWICK S.A. did not advance loans to any non-related parties.

18. Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the Group's ability to repay its liabilities, as well as an identification of threats, if any, and measures used or intended to be used by the Group to mitigate such threats; feasibility of planned investments, including equity investments, in view of the funds available to the Group; possible changes in the financing of the investments

As at December 31st 2013, the Group's total debt under investment and overdraft facilities was PLN 34,119 thousand, which represents an increase compared with debt level of PLN 19,085 thousand as at the end of 2012.

The funds and credit facilities available to the Group were sufficient to finance investments and capital expenditure planned for and executed in 2013 (for more information, see Section 10 of this Report).



The Parent's Management Board believes that as at the end of the reporting period there was no threat of a Group company's failure to meet its liabilities.

The table below presents the liquidity ratios of the Group.

LIQUIDITY RATIOS	Dec 31 2013	Dec 31 2012
Current ratio	1,6	1,9
Quick ratio	1,4	1,7
Cash ratio	0,3	0,4

19. Issue of securities and use of issue proceeds by SECO/WARWICK S.A.

On July 17th 2013, 149,239 (one hundred and forty-nine thousand, two hundred and thirty-nine) Series E ordinary bearer shares in the Company ("Series E Shares") were acquired, as reported by the Company in Current Reports No. 23/2013, 30/2013, 31/2013 and 39/2013.

On September 19th 2013, 27,230 (twenty-seven thousand, two hundred and thirty) Series E ordinary bearer shares in the Company were acquired, as reported by the Company in Current Reports No. 32/2013, 37/2013, 38/2013 and 42/2013.

On December 3rd 2013, 27,518 (twenty-seven thousand, five hundred and eighteen) Series E ordinary bearer shares in the Company were acquired, as reported by the Company in Current Reports No. 43/2013, 45/2013 and 46/2013.

The Series E Shares were acquired under the Incentive Scheme for the management staff of the SECO/WARWICK Group for the years 2012–2016, approved by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012 ("2012–2016 Incentive Scheme"), on the basis of which the Company issued Series B subscription warrants ("Series B Warrants") entitling its holders to acquire Series E Shares.

20. Explanation of discrepancies between the financial results disclosed in the annual report and the previously released forecasts for the year, if any

The SECO/WARWICK Management Board did not publish any forecasts for 2013 concerning the Company's or the Group's financial performance.

21. Description of material risk factors and threats, including information on the degree of the Group's exposure to such risks or threats

The Group is exposed to market risk, comprising currency risk, interest rate risk, liquidity risk and credit risk. The objective behind the Group's financial risk management is to mitigate any adverse movements in foreign exchange and interest rates, stabilise cash flows and ensure an adequate level of liquidity and financial flexibility. The rules of financial risk management within the Group are determined by the Parent's Management Board. As part of the risk management process, an expert management accounting system has been developed and implemented at the Company. Key risk parameters at the level of operating and financing activities are monitored based on monthly reports. The Finance Department of the Group companies, as the organisational unit responsible for implementation of the Group's financial risk policy, identifies, measures, manages and monitors the risks on an ongoing basis. The Parent's Management Board receives regular update reports on the type and degree of exposure to a given risk. For a detailed description of Group's exposure to risks, see Note 36 to the consolidated financial statements of the SECO/WARWICK Group.

22. Statement of compliance with corporate governance rules by the SECO/WARWICK Group in 2013

a. Identification of the set of corporate governance rules followed by the Parent of the SECO/WARWICK Group and place where the text of the rules is publicly available

In 2013, SECO/WARWICK S.A. complied with the Code of Best Practice for WSE-Listed Companies.

The Code of Best Practice for WSE-Listed Companies is available at: www.corp-gov.gpw.pl and at: www.secowarwick.com

The Company did not observe any corporate governance rules going beyond the requirements stipulated by Polish law.

b. Scope of non-compliance with the set of corporate governance rules referred to above, specification of the rules not complied with, and explanation of why they were not complied with and how the company intends to eliminate

the effects (if any) of non-compliance with a given rule or measures it intends to take to reduce the risk of non-compliance with a given rule in the future

SECO/WARWICK S.A. applied all corporate governance principles set forth in the Code of Best Practice for WSE-Listed Companies, except for the principle defined in Section IV.10, which recommends that listed companies enable shareholders to participate in General Meetings via electronic means of communication. The reason for the non-compliance is technical constraints and high potential cost of adapting the existing system to fit the purpose.

c. Main characteristics of the Group's systems of internal control and risk management with respect to preparation of financial statements and consolidated financial statements

The Management Board of the Parent is responsible for the Group's internal control system and its effectiveness in the process of preparation of periodic reports and financial statements prepared and published in accordance with the Regulation on current and periodic information to be published by issuers of securities of February 19th 2009.

The main objective of the Group's internal control system applied to financial reporting is to ensure adequacy, reliability, and accuracy of financial information presented in periodic reports and financial statements. The Group's effective internal control and risk management system applied to financial reporting was developed based on:

- Clear division of responsibilities and organisation of work in the financial reporting process – subsection 1;
- Precise definition of the scope of the Group's financial reporting – subsection 2;
- Regular reviews of the Group's performance, based on the financial reporting system used by the Group – subsection 3;
- Requirement to submit financial statements for approval prior to their publication – subsection 4;
- Audit/review of financial statements by an external auditor – subsection 5;
- Engaging the Parent's internal audit functions in the assessment of the control mechanisms in place at the SECO/WARWICK Group – subsection 6;

1. Clear division of responsibilities and organisation of work in the financial reporting process

Responsibility for the preparation of the Group's financial statements, current management reports, and periodic financial reports lies with the Parent's Financial Department, headed by the Chief Financial Officer.

Financial statements of the SECO/WARWICK Group are prepared by the staff of the Parent's Financial Department, based on financial data contained in the financial and accounting system, as approved by the Chief Financial Officer, and on other additional data provided by designated employees from other departments in the Group. Prior to being handed over to an external auditor, complete financial statements are reviewed by the Head of the Accounting Department and then by the Chief Financial Officer.

Periodic reports of the Group are prepared by the staff of the Financial Department, based on financial data contained in the financial and accounting system, as approved by the Chief Financial Officer, and on other additional data provided by designated employees from other departments. Prior to being handed over to an external auditor, complete periodic reports are reviewed by the Head of the Accounting Department and then by the Chief Financial Officer.

2. Precise definition of the scope of the Group's financial reporting

The Group reviews its strategy and business plans annually, in cooperation with its senior and middle management. Based on the outcome of the review, the Group carries out a budgeting process covering all areas of its operations. During the year, the Parent's Management Board analyses current financial performance and compares it against the adopted budget in accordance with the management reporting system adopted by the Group and based on the Group's accounting policies (International Financial Reporting Standards), taking into account the format and level of detail of the financial data presented in periodic financial statements of the SECO/WARWICK Group.

The accounting policies applied to statutory reporting are included in the budgeting process and in the Group's management reporting system.

The Group makes every effort to ensure that the financial statements, periodic reports, and other reports presented to investors are based on consistently applied accounting policies.

3. Regular reviews of the Group's performance, based on the financial reporting system used by the Group

Financial data used to prepare financial statements and periodic reports is sourced from the financial and operational reports prepared by the SECO/WARWICK Group. After the closing of each calendar month, employees of the Financial Department,

acting under the direction of the Chief Financial Officer, analyse the Group's financial results by business segments in the context of previously adopted assumptions.

Any errors revealed during the analysis are corrected immediately in accordance with the adopted accounting policies.

The work on financial statements and periodic reports starts only after the results recorded in a closed month (reporting period) have been approved by the Chief Financial Officer.

4. Requirement to submit financial statements for approval prior to their publication

Periodic reports and financial statements, once reviewed or audited by the auditor, are submitted to the members of the Parent's Supervisory Board.

All members of the Supervisory Board are offered an opportunity to get acquainted with the financial statements or auditor's report. All queries can be discussed with Chief Financial Officer, who is available for this purpose to the members of the Supervisory Board.

5. Audit/review of financial statements by an external auditor

In accordance with the applicable legal regulations, the SECO/WARWICK Group submits its financial statements for a review or audit, as appropriate, by a qualified external auditor.

6. Engaging the Parent's internal audit functions in the assessment of the control mechanisms in place at the SECO/WARWICK Group

SECO/WARWICK EUROPE appoints a CEO Proxy for Quality Assurance and Turnover Control, who participates in the analysis of processes and, through internal audits, in the assessment of the control mechanisms. The programme of semi-annual internal audits is created based on the analysis of the findings of the previous audits, and taking into account the significance of particular processes in place. The audit programme is approved by the CEO, member of the Management Board, and is implemented by a team of auditors. Apart from scheduled audits, there are also audits reviewing the conclusions of the previous audits and unscheduled audits at the request of the Management Board.

Internal auditors prepare reports that include their comments and information on any identified inconsistencies. Auditors' reports may also include determinations reflecting changes made in a given area. The audit results are used by the managers of organisational units to introduce improvements to control mechanism in the processes they supervise. If changes apply to the company as a whole, they are introduced, if necessary, by the Proxy in the system documentation.

d. Shareholders holding, directly or indirectly, major holdings of shares

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Meeting as at December 31st 2013 and as at the date:

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Poland Holding B.V. (Netherlands)	3,387,139	31.71%	3,387,139	31.71%
Spruce Holding Limited Liability Company (USA)	1,419,294	13.29%	1,419,294	13.29%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.47%	904,794	8.47%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	7.96%	849,698	7.96%
Bleauhard Holdings LLC	743,456	6.96%	743,456	6.96%
ING NN OFE	600,000	5.62%	600,000	5.62%
AMPLICO	577,470	5.41%	577,470	5.41%
- share capital	2,136,039.40			
- number of shares	10,680,197			
- par value per share	0.20			

The data presented in the table is based on notifications received from the shareholders.



THE SECO/WARWICK GROUP

Directors' Report on the operations of the SECO/WARWICK Group
in the year ended December 31st 2013

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Meeting as at the date of release of this Report:

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Poland Holding B.V. (Netherlands)	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,419,294	13.22%	1,419,294	13.22%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	7.91%	849,698	7.91%
Bleauhard Holdings LLC	743,456	6.92%	743,456	6.92%
ING NN OFE	600,000	5.59%	600,000	5.59%
AMPLICO	577,470	5.38%	577,470	5.38%
- share capital	2,147,567.40			
- number of shares	10,737,837			
- par value per share	0.20			

The data presented in the table is based on notifications received from the shareholders.

e. Holders of any securities that confer special control powers, and description of such powers

SECO/WARWICK S.A. (Parent) has not issued any securities conferring special control powers with respect to SECO/WARWICK S.A.

f. Restrictions on the exercise of voting rights such as restrictions on the exercise of voting rights by holders of a certain portion or number of votes, time limits for exercising voting rights, and provisions under which, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of the securities

There are no restrictions at the Parent on the exercise of voting rights such as restrictions on the exercise of voting rights by holders of a certain portion or number of votes, time limits for exercising voting rights, or provisions under which, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of the securities.

g. Restrictions on transferability of the Company securities

Further to Current Report No. 32 published in 2008 and Current Report No. 27 published in 2010, the Management Board of SECO/WARWICK S.A. reported that on September 2nd 2013 it was notified of execution by the following significant shareholders of the Company:

- SW Poland Holding B.V.,
- Spruce Holding Limited Liability Company, and
- Bleauhard Holdings LLC,

of a significant shareholders agreement (the Significant Shareholders Agreement), whose key element is the shareholders' undertaking not to sell a portion of their holdings of Company shares until December 31st 2016.

Under the agreement, the original number of shares in lock-up was reduced by 1,200,000 (one million, two hundred thousand) shares, to 5,549,889 (five million, five hundred and forty-nine thousand, eight hundred and eighty-nine) shares. Concurrently, the expiry date of the lock-up period was extended from December 31st 2014 to December 31st 2016.

h. Description of the rules governing the appointment and removal from office of the management staff, and of their powers, including in particular the power to decide on an issue or buy-back of shares

The Parent's Management Board consists of two to seven members and is appointed and removed from office by the Supervisory Board, which has the power to appoint any number of Vice-Presidents. Members of the Management Board are appointed for a joint three-year term of office. The Management Board comprises the President of the Management Board, Vice-Presidents and members. When appointing the members of the Management Board, the Supervisory Board decides who will be appointed to the positions of the President and Vice-Presidents of the Management Board. The mandate of a member of the Management Board expires on the date of the General Meeting approving the report on the Management Board's operations, the statement of financial position and the statement of comprehensive income for the last full financial year in which the member held the office. Members of the Management Board may be re-appointed for another term of office. The Management Board may appoint one or more commercial proxies.

The Management Board has all powers to manage the Company's affairs other than those which fall within the exclusive scope of competence of the other governing bodies of the Company. The Management Board defines the overall organisation structure of the Company and the principles of its operation. For this purpose it may issue relevant rules and other internal regulations. Every member of the Management Board may, without a prior resolution of the Management Board, manage any affairs of the Company falling within the scope of the day-to-day management, except where, before the matter is settled, at least one member objects to it. Each Management Board member may individually incur a liability or dispose of a right for an amount of up to PLN 200,000.00 (two hundred thousand). Incurring a liability or disposal of a right in excess of PLN 200,000.00 (two hundred thousand) requires two Management Board members acting jointly or a Management Board member acting jointly with a commercial proxy. Any issues which fall beyond the scope of the day-to-day management of the Company's affairs require a resolution of the Management Board.

The Company shares may be cancelled upon the shareholder's consent through the acquisition of the shares by the Company ("voluntary cancellation") or without the shareholder's consent ("compulsory cancellation"), in compliance with the provisions of the Commercial Companies Code. Shares may be cancelled without the shareholder's consent on the basis of a resolution of the General Meeting if: the shareholder is declared bankrupt; an enforcement procedure has been instituted with respect to the shares; a court of general jurisdiction has declared in civil proceedings that the shareholder acted to the detriment of the Company; a final ruling has been issued convicting the shareholder of a crime connected with acting to the detriment of the Company.

Compulsory cancellation is effected against compensation, which may not be lower than the value of net assets attributable to the shares, as disclosed in the financial statements for the previous financial year, less the amount allocated for distribution among the shareholders. The General Meeting may cancel all or part of a shareholder's shares at the shareholder's written request. In such a case, the value of the cancelled shares is determined by a resolution of the Company's General Meeting, with a proviso that the resolution is valid only if the shareholder requesting the cancellation of the shares votes in favour of the resolution. The Company may acquire its own shares for cancellation or for other purposes set forth in Art. 362.1 of the Commercial Companies Code. The General Meeting may authorise the Management Board to acquire the Company shares from the shareholders for cancellation.

i. Rules governing amendments to the Parent's Articles of Association

In accordance with Art. 430.1 of the Commercial Companies Code, any amendment to SECO/WARWICK S.A.'s Articles of Association requires a resolution by the General Meeting and must be entered in the relevant court register. Any amendments to the Articles of Associations are submitted to the registry court by SECO/WARWICK S.A. Management Board. The General Meeting may authorise the Supervisory Board to prepare the consolidated text of the amended Articles of Association or to make other wording amendments, as specified in a resolution of the General Meeting.

j. Manner of operation of the General Meeting, its basic powers and description of the shareholder rights, along with the procedure for their exercise, including in particular rules provided for in the Rules of Procedure for the General Meeting, if any, unless such information follows directly from the provisions of law

The General Meeting operates according to the Rules of Procedure for the General Meeting of SECO/WARWICK S.A., adopted by virtue of Resolution No.26 of the SECO/WARWICK S.A. General Meeting of May 28th 2012. The General Meeting may be attended only by the persons who are the Company shareholders sixteen days prior to the General Meeting date. The record date for participation in the General Meeting is the same for the holders of rights under bearer and under registered shares. (Art. 406 [1] of the Commercial Companies Code) Holders of rights under registered shares and provisional certificates, as well as pledgees and usufructuaries holding voting rights, are entitled to participate in the General Meeting of a public company only if they are entered in the share register as at the record date (Art. 406 [2] of the Commercial Companies Code) The General Meeting may be attended by persons whose presence is considered indispensable by the Supervisory Board or Management Board (Par. 4 of the Rules of Procedure for the General Meeting).

After presentation of each item on the agenda, the Chairman of the General Meeting opens the discussion and gives floor in the order in which the participants requested to speak. While taking the floor, the shareholder may speak only on the matters included in the agenda and discussed at a given moment. During the discussion of each item on the agenda, each shareholder is entitled to one speech and one reply (Par. 14 of the Rules of Procedure for the General Meeting).

Depending on their subject matter, resolutions of the General Meeting are adopted by the majority of votes required by the Company's Articles of Association, the Commercial Companies Code, or other generally applicable laws (Par. 19 of the Rules of Procedure for the General Meeting).

Resolutions of the General Meeting are adopted in an open ballot, subject to the provisions of Par. 17.2 on voting by secret ballot in the following cases: elections; proposals to remove a member of the Company's governing body or its liquidator; proposals to bring a member of the Company's governing body or its liquidator to account; proposals concerning personnel matters, at the request of at least one shareholder present or represented at the General Meeting; in any other cases provided for in generally applicable laws (Par. 17 of the Rules of Procedure for the General Meeting).

The Chairman of the General Meeting presents the agenda of the Meeting and submits it for approval by the General Meeting. If no objections are raised, the agenda is deemed approved by the General Meeting (Par. 8 of the Rules of Procedure for the General Meeting). After the Chairman of the General Meeting closes the list of speakers, no speakers may be added to the list, and after the discussion is declared closed, no speakers may take the floor and no proposals referred to in Par. 15 of Rules and Procedure for the General Meeting may be submitted (Par. 16 of the Rules of Procedure for the General Meeting).

In 2013, the formally convened SECO/WARWICK S.A. General Meeting was held on May 24th 2013. The General Meeting was convened at the request of the Management Board. In 2013, the Company shareholders did not request convening of the General Meeting.

The General Meeting was held pursuant to the regulations of the Commercial Companies Code, in accordance with the Rules of Procedure for the General Meeting of SECO/WARWICK S.A., and in compliance with the Code of Best Practice for WSE-Listed Companies. The shareholders had an opportunity to get acquainted with the draft resolutions which had been published on the Company's website and in Current Report No. 12/2013, dated April 26th 2013, at least 26 days prior to the General Meeting. The Company approved the documents submitted by the shareholders and their proxies, and recognised the validity of the powers of proxy, right to represent and participate in the General Meeting.

Within its powers, the General Meeting adopted resolutions essential to proper operation of the Company, including a resolution on the approval of the Directors' Report on the Company's operations and the financial statements, allocation of profit for the financial year 2012, approval of the Directors' Report on the Group's operations and the consolidated financial statements of the SECO/WARWICK Group for the financial year 2012, and granting discharge in respect of performance of duties to members of the Company's governing bodies.

The Chairman of the General Meeting ensured procedural efficiency and respect for the rights and interests of all shareholders. The General Meeting was not adjourned or interrupted. Members of the Management Board and Supervisory Board were available to the shareholders and proxies, ready to provide explanations to the extent permitted by their knowledge and required by the provisions of law. None of the resolutions adopted at the General Meeting was challenged in court proceedings.

All resolutions adopted in 2013 by the General Meeting were aimed at serving the interest of the Company, with due consideration given to other stakeholders' rights. Resolutions adopted by the General Meeting were published on the Company's website at: www.secowarwick.com

k. Composition and changes in the composition of the Company's management, supervisory and administrative bodies and their committees, which took place in the last financial year; description of their activities

Management Board

Composition of the Management Board

In 2013 and on the date of release of this Report, the composition of the Company's Management Board was as follows:

Paweł Wyrzykowski – President of the Management Board
Wojciech Modrzyk – Vice-President of the Management Board
Jarosław Talerzak – Vice-President of the Management Board

Operation of the Management Board

The Management Board operated under the regulations of the Commercial Companies Code, the Rules of Procedure for the Management Board, approved by the resolution of the Supervisory Board and available to the public, and in accordance with

the Code of Best Practice for WSE-Listed Companies. The Rules of Procedure for the Management Board stipulate the division of responsibilities, tasks and authority among the members.

The Management Board is the executive body of the Company, managing its current operations and representing it in relations with third parties. The powers of the Management Board include all matters which do not fall within the exclusive scope of competence of the General Meeting or the Supervisory Board. A decision to acquire or dispose of real estate, perpetual usufruct right to or an interest in real estate, rests exclusively with the Management Board and requires approval by the General Meeting.

The Management Board is composed of 2 (two) to 7 (seven) members appointed by the Supervisory Board, including the President, Vice-President and members of the Management Board. The Supervisory Board may appoint any number of Vice-Presidents. The Management Board members are appointed by the Supervisory Board for a joint three-year term of office. Each Management Board member may individually incur a liability or dispose of a right for up to the equivalent of PLN 200,000.00 (two hundred thousand). Incurring a liability or disposal of a right in excess of the equivalent of PLN 200,000.00 (two hundred thousand) requires two Management Board members acting jointly or a Management Board member acting jointly with a commercial proxy. The Management Board acts in accordance with its Rules of Procedure, approved by the Supervisory Board at the request of the Management Board.

When formulating strategic objectives and setting current tasks, the Management Board was primarily guided by the Company's best interest and the provisions of law, while also protecting the interests of shareholders, employees and creditors.

In order to ensure the clarity and efficiency of the management system, the Management Board observed the rules of professional conduct within the limits of reasonable economic risk, using a wide range of information, opinions and analyses available.

The Supervisory Board decides on the remuneration of the members of the Management Board based on clearly defined procedures. The remuneration for serving as members of the Management Board was granted taking into account the economic results achieved on the basis of competence and responsibility of the individual members of the Board. The amount of remuneration payable to the Management Board members was defined in resolutions adopted by the Company's Supervisory Board on February 1st 2007, April 28th 2008 and January 12th 2012. Remuneration paid to the members of the Management Board did not vary from the level of remuneration paid to members of management boards at electromechanical industry companies of comparable size.

Supervisory Board

Composition of the Supervisory Board

The Supervisory Board is composed of five to seven members.

In 2013 and on the date of release of this Report, the composition of the Supervisory Board was as follows:

Andrzej Zawistowski – Chairman of the Supervisory Board
Henryk Pilarski – Deputy Chairman of the Supervisory Board
Witold Klinowski – member of the Supervisory Board
Jeffrey Boswell – member of the Supervisory Board
James A. Goltz – member of the Supervisory Board
Zbigniew Rogóż – member of the Supervisory Board
Gutmann Habig – member of the Supervisory Board

Operation of the Supervisory Board

The Supervisory Board of SECO/WARWICK S.A. operates under the regulations of the Commercial Companies Code, the Rules of Procedure for the Supervisory Board, approved by the General Meeting and available to the public, and in accordance with the Code of Best Practice for WSE-Listed Companies. The Rules of Procedure for the Supervisory Board stipulate the division of responsibilities, tasks and authority among the members.

The Supervisory Board of SECO/WARWICK S.A. adopts resolutions and issues opinions on the matters falling within its exclusive scope of competence under the provisions of the Articles of Association, and in a manner provided for in the Articles of Association and applicable laws.

The Supervisory Board complied with the requirement of having at least two independent members, meeting the independence criteria specified in the Company's Articles of Association.

In 2013, the Supervisory Board meetings were held on a regular basis, and were attended by members of the Management Board, who provided the Supervisory Board with reliable and complete information on material issues relating to the operation of the Company. The Supervisory Board held six meetings, at which resolutions were adopted with respect to the

matters included in the meeting agendas. The resolutions were sent to the members of the Supervisory Board in the notices of the meetings. In order to ensure an efficient performance of its functions, if required the Supervisory Board, acting at the request of the Management Board, adopted resolutions by circulation, without holding a meeting.

Provision of any benefits by the Company or related parties to members of the Management Board was approved by virtue of a resolution adopted by a majority of members of the Supervisory Board.

The General Meeting decides on the remuneration of the members of the Supervisory Board based on clearly defined procedures. The remuneration for serving as members of the Supervisory Board was granted taking into account the economic results achieved on the basis of competence and responsibility of the individual members of the Supervisory Board. Remuneration paid to the members of the Supervisory Board did not vary from the level of remuneration paid to members of supervisory boards at electromechanical industry companies of comparable size. Throughout 2013, members of the Supervisory Board informed the Company's Management Board of their acquisition or disposal of SECO/WARWICK S.A. shares.

In 2013, in its work the Supervisory Board focused primarily on the matters material to the Company's operations.

Within its powers to define the development strategy for the Company, the Supervisory Board made a number of analyses of the directions for long-term growth of the SECO/WARWICK S.A. Group in the context of the changes taking place in the market of manufacturers of heat treatment furnaces, including technological changes and growing competition.

The Supervisory Board, within its powers to supervise the Company's and the Group's operations, conducted an analysis and carried out periodic reviews of the financial statements of SECO/WARWICK S.A. and the Group. The reports on the Company's operations were also analysed and evaluated.

The Supervisory Board will provide the Annual General Meeting with an assessment of the Company's situation, including an assessment of the system for internal control and management of risk material to the Company, as well as evaluation of the operation of the Supervisory Board, prepared in accordance with the Code of Best Practice for WSE-Listed companies.

Committees of the Supervisory Board

In 2013, an Audit Committee operated within the Supervisory Board. In the reporting period the Audit Committee operated through meetings convened by the Chairman of the Committee and by using means of remote communication (electronic mail). The Audit Committee also took part in regular meetings of the Supervisory Board prior to the publication of quarterly financial statements. In 2013, as part of its activities the Audit Committee became familiar with the preliminary results of SECO/WARWICK S.A. and the SECO/WARWICK Group for December 2013. Members of the Committee were in ongoing contact with the persons responsible at the Company for preparation of financial statements. The Committee paid particular attention to compliance of the financial statements with the applicable accountancy regulations. On 30.10.2013, the Audit Committee asked the Management Board to present information relating to the identification and management of individual risks in the company and the group, including market risk, liquidity risk, credit risk, investment, competitive, legal and regulatory. Committee asked to provide information on key management system risks. In response, the Management Board presented to the Supervisory Board meeting on 05.12.2013, the full information on the risk management methods of the company includes monitoring of key risks. Risk management is tailored to the needs of the group. The primary objective of risk management is its reduction to acceptable levels. The new organizational structure provides dual control group for the majority of business affairs thus reducing key risks. Implemented is also the risk assessment process units, identifying and setting priorities for the company. The risk assessment covers the entire organization and takes into account such attributes as the impact and likelihood. The Board also discussed in detail the financial risk, operational risk and legal and regulatory.

In 2013, the Audit Committee consisted of:

1. Henryk Pilarski
2. Zbigniew Rogóż
3. Witold Klinowski

23. Court, arbitration and administrative proceedings

In 2013, the value of liabilities or receivables of SECO/WARWICK S.A. or the Group companies disputed in any single or all pending court, arbitration or administrative proceedings did not exceed 10% of SECO/WARWICK S.A.'s equity.

24. External and internal factors relevant to the growth of the Group's business; description of development prospects for the Group's operations in the period at least until the end of the financial year immediately following the financial year for which the financial statements contained in the annual report were prepared, including elements of the Group's market strategy

External factors:

- The Group's financial performance will be driven to a large extent by the macroeconomic conditions prevailing on the markets where the Group companies operate or which they plan to enter. The rate of the Group's growth will depend on the key economic indicators as recorded on the markets where it is present, such as: the demand for capital goods, GDP growth rate, inflation rate, unemployment rate or capital expenditure.
- The achievement of the Group's strategic objectives may be hindered by competition. If competitive pressures intensify, especially in Asian markets, they may adversely affect the Group's ability to meet its planned financial results.
- Foreign exchange rates, particularly the EUR/PLN rate, are a significant factor for the development of the Group's business. However, the Group actively mitigates its currency risk by adjusting the reference rates used for equipment calculations, hedging transactions on the futures market, and settling purchases in EUR or USD.

Internal factors:

- The achievement of the financial targets set by the SECO/WARWICK Group depends on the ability of its Parent, SECO/WARWICK S.A., to retain highly-skilled professionals in managerial and specialist positions. In the sector where the Parent operates, as in many other sectors of the Polish economy, remuneration of highly qualified staff is lower compared with other EU countries, which may encourage employees to seek employment abroad. The Parent is actively trying to mitigate this risk by implementing such measures as a share-based incentive scheme or a financial assistance programme designed to help finance the costs of university and specialist courses. Retention of the highly-qualified staff in the mid- and long-term perspective may result in an increase in employment costs, which in turn may reduce the profitability of the Group's business.

The SECO/WARWICK Group is aware of benefits to be derived from the development of the vacuum carburising technology. The technology continues to be researched and developed by the Group's personnel. It is also consulted as part of a cooperation project with academic partners from the leading academic centres in Poland. The research work performed has helped the Group to win many contracts related to this technology across the world. Those projects can now serve as valuable credentials when next bids are submitted by the Group companies. The development of the aluminium heat exchanger brazing technology for the air conditioning and refrigeration industries is also considered a promising application by the Group. The Group intends to continue its efforts to intensify the development work on improving new systems. Considering that the annual value of the market of new systems for the air conditioning industry is estimated by the Group at as much as approximately USD 100m, it is a very attractive direction of development for the Group. Furthermore, the Group plans to take advantage of the high growth potential of the Russian market to expand its sales of aluminium heat treatment systems.

25. Major achievements in research and development

In 2013, the Research and Development division of the SECO/WARWICK Group worked on the following projects (independently or in partnership with Product Units):

- Development of the FineCarb® and PreNitLPC® vacuum carburising technology and testing the carburising process simulator (in partnership with Łódź University of Technology).

The vacuum carburising systems with process simulator (SimVaC) were successfully implemented in furnaces of our customers in the US, Canada, Mexico, Sweden, Italy, Czech Republic, and Poland.

The R&D team carried out research and development work on vacuum carburising procedures for new grades of steel for application in the automotive and aviation industries.

- Process testing and development of the FineLPN vacuum nitriding technology. First implementations in Korea and India.
- Preparation of documentation and launch of production phase of the NCBiR's (National Centre for Research and Development) project on hardening distortion control.
- Launch of another NCBiR project for the construction of Multi-Task Intelligent Modular Centre for High-Tech Vacuum Heat and Surface Treatment.
- Construction of a superconductor heat treatment furnace for the international thermonuclear power reactor project (ITER).

- Development and launch of commercial production of the universal two-chamber CAB furnace with optional vacuum purging (three furnaces delivered to customers)
- Development and promotion of the Expanite® technology (atmosphere furnace VTR 669)
- Testing and development of the ZeroFlow® nitriding technology:
 - process testing at SWE and at Poznań University of Technology
 - creating a database of the ZeroFlow® process economics (energy and utilities consumption)
 - creating a database of the ZeroFlow® process results (layer thickness, structure)
 - cyclical development of the VDRFC technological test station (to be completed in April 2014)
- Development of a nitrosulphuring treatment technology – trials and process tests performed in collaboration with Łódź University of Technology
- Development of a passivation technology – an R&D project implemented in collaboration with dr inż. Jerzy Iwanow of the Institute of Precision Mechanics in Warsaw
- Research and process testing of an intensive water quenching technology (IQ Technologies USA)
- Calibration of an on-line simulator of the aluminium coil annealing process in the Vortex® Jet Heating System furnace (performed at the ASSAN aluminium works in Turkey)
- Implementation of a flow model for PIT aluminium homogenising furnaces
- Implementation of a test chamber for the drum-type coil annealer furnaces

In 2013, the Group took steps to actively promote its technological and engineering achievements at international seminars, conferences and industry fairs. Members of the R&D team wrote papers and prepared presentations, and took part in the following events:

Trade fairs and conferences:

- European Heat Treatment Conference, April 25th–26th 2013, Lucerne, Switzerland (Expanite®)
- 3rd International Congress, Aluminium Heat Exchanger Technologies for HVAC&R, May 15th–16th 2013, Duesseldorf, Germany
- Aluminium 2000 World Congress in Milan, Italy, May 2013
- International Federation of Heat Treatment, June 11th–14th 2013, Dubrovnik, Croatia
- Korean Society For Heat Treatment, June 21st–22nd 2013, Seoul (ZeroFlow®)
- 'New Trends in Heat Treatment' seminar, September 12th–13th 2013 (ZeroFlow®, Vortex®, gas carburising)
- ASM Heat Treat Conference and Exposition, September 16th–18th 2013, Indianapolis, USA
- 'Surface Hardening of Stainless Steel' seminar, October 4th 2013, Copenhagen, Denmark (Expanite®)
- Harterei Kongress, October 9th–11th 2013, Wiesbaden, Germany
- T Expo 2013, October 17th–18th 2013, Piacenza (Expanite®)
- Conference on Heat Treatment, November 26th–27th 2013, Jihlava, Czech Republic
- ALUMINIUM MIDDLE EAST 2013, Mumbai (Aluminium Process)
- ALUMINIUM INDIA 2013, Mumbai (Aluminium Process).

Trade publications:

- FOCUS Nierdzewne Polska (Expanite®)
- FOCUS Rostfrei Germany (Expanite®)

The Group successfully organised the 17th 'New trends in heat treatment' seminar, which is an annual industry event in Poland. The seminar was held on September 12th–13th 2013 at the conference centre in Łagów (Poland). The event was attended by over 100 guests, including customers and trade and research partners. The participants gave fourteen thematic

lectures and took part in two workshops. The participants praised the seminar for its high quality, both in terms of content and form.

In January 2014, a part of a technology demonstration unit, whose development is co-financed under the GRAFTECH programme, was delivered by SECO/WARWICK to the Łódź University of Technology. The 'Graphene nanocomposite for the reversible hydrogen storage' project is designed to develop a technology for producing the GraphRoll functional nanocomposite material on the basis of polycrystalline graphene for reversible storage of hydrogen. The new nanomaterial will be first implemented in heat and thermochemical treatment systems using hydrogen as a process medium or hardening agent. GraphRoll-based pump-less compressors will be used for hydrogen recycling in high-pressure gas quenching and for separation of hydrogen from mixtures of exhaust gases in thermochemical treatment operations. With further development and refinement of the GraphRoll technology, it will be possible to reach or exceed the critical threshold of 6.5% wt. hydrogen absorption on an industrial scale, a condition that must be met before reversible hydrogen storage material can be used in vehicles of the future.

SECO/WARWICK is planning to deliver the unit to the Institute of Electronic Materials Technology (ITME) in Warsaw, as part of the Graftech programme, in April 2014. The project envisages further development of a technology for growing graphene on metals, as well as the design of a new Chemical Vapor Deposition (CVD) system for growing graphene on large-size metal foils. The CVD system will be built at SECO/WARWICK (SW). The unit will use a technology for the epitaxial graphene growth on metals, developed at the ITME.

26. Environmental matters

Given the scale and type of its operations, the SECO/WARWICK Group is subject to environmental protection regulations in different jurisdictions.

The SECO/WARWICK Group's Polish operations are mainly regulated by the following laws:

1. Polish Environmental Protection Law of April 27th 2001 (consolidated text: Dz.U. of 2006 No. 129, item 902),
2. Polish Water Law of July 18th 2001 (consolidated text: Dz.U. of 2005 No. 239, item 2019), and
3. Polish Waste Act of April 27th 2001 (consolidated text: Dz.U. of 2007 No. 39, item 251).

In 2013, SECO/WARWICK EUROPE Sp. z o.o. used the natural environment in the course of its production and trade operations in accordance with the applicable law and was charged with no penalties.

The Company holds all relevant permits for waste generation and release of gas and dust into the air. In the case of SECO/WARWICK EUROPE Sp. z o.o. the permit for waste generation expires on October 31st 2018 and the permit for release of gas and dust into the air remains valid until January 5th 2023. The company maintains a register of generated waste. In addition, SECO/WARWICK S.A. executed agreements with specialist companies which handle waste disposal, recycling and treatment. All such companies hold relevant permits.

All fees due for the use of natural environment were transferred to the dedicated account of the Marshall Office of the Province of Zielona Góra / Gorzów Wielkopolski in a timely manner. Similarly, the summary of information on the scope of natural environment use was submitted to the Marshall Office of the Province of Zielona Góra / Gorzów Wielkopolski by the prescribed date.

SECO/WARWICK Corp. and Retech Systems LLC are not obliged to obtain any environmental permits. The companies comply with environmental protection regulations applicable in the United States and submit waste disposal reports to relevant public administration authorities.

In connection with the scope of their activities within the Group, SECO/WARWICK Retech Thermal Equipment Manufacturing (Tianjin) Co. Ltd., Allied Consulting Engineers Pvt. Ltd Mumbai (India), SECO/WARWICK GmbH and OOO SECO/WARWICK Group do not have to obtain any special environmental permits, and the norms applicable in this respect have no bearing on the companies' use of property, plant and equipment.

While observing applicable regulations prescribed by law or by administrative bodies, the SECO/WARWICK Group strives to ensure that neither its operations nor its products, have negative environmental impact. To this end, the Group maintains and upgrades its production plants in accordance with technical guidelines, in particular the equipment used for production, accumulation and safe storage of hazardous waste, and conducts research activities aimed at mitigating environmental impacts of the process lines and furnaces it produces. As a rule, the SECO/WARWICK Group companies meet the requirements set in the environmental permits and fulfil relevant disclosure requirements.



In view of the above, the Company is not aware of any grounds for proceedings to be instigated against the Company or any other SECO/WARWICK Group company based on environmental protection regulations. Furthermore, to the best of the Group's knowledge, no proceedings related to environmental protection are underway or have been instituted against the Company or any other Group company. The SECO/WARWICK Group is not aware of any obligations which may be imposed on the Company or any other SECO/WARWICK Group company in connection with environmental protection regulations.

27. Workforce

For more information on the workforce of SECO/WARWICK S.A., see Note 33 to the consolidated financial statements of the SECO/WARWICK Group.

28. Structure of assets and liabilities in the consolidated statement of financial position, including from the perspective of the Group's liquidity

For information on the structure of assets and liabilities in the consolidated statement of financial position, including from the perspective of the SECO/WARWICK Group's liquidity, as well as key financial and economic data and indicators, see Section 10 of this Report.

29. Material off-balance sheet items by counterparty, subject matter and value

For material off-balance sheet items by counterparty, subject matter and value, see Section 16 of this Report.

30. Structure of key capital placements and equity investments made within the Group in the financial year

In 2013, the SECO/WARWICK Group made the following equity investments within the Group:

On March 25th 2013, conditions precedent for the acquisition of 9,090 Sale Shares in SECO/WARWICK Allied. were fulfilled. Following the acquisition, the Company held 63,765 shares, representing 58.3% of the company's share capital. On May 22nd 2013, conditions precedent for the purchase of 9,127 Sale Shares were fulfilled. Following the purchase, the Company holds 72,892 shares, representing 66.7% of the company's share capital.

A conditional agreement to purchase all shares in Engefor Engenharia Indústria e Comércio Ltda (a limited liability company (SECO/WARWICK do Brasil) of Jundiaí, established and existing under Brazilian law), conferring the right to 100% of votes at the company's General Meeting, was executed on April 23rd 2013. On May 24th 2013, all conditions precedent for the purchase of 860,000 Sale Shares and payment of the first instalment of the Selling Price, in the amount of BRL 6,000,000 (PLN 9,506,400 at the mid exchange rate quoted by the National Bank of Poland on May 24th 2013), were fulfilled.

The share capital of OOO SCT was increased on November 30th 2013. SECO/WARWICK S.A. made a non-cash contribution in the form of a furnace worth PLN 3,081,242.87.

In 2013, the SECO/WARWICK Group did not make and equity placements.

31. Major events which had a material impact on the operations and financial performance of the Group in the financial year or which may have a material impact on the operations and performance of the Group in the following years

Major events with a material bearing on the Company's business which occurred after the end of the financial year:

In Current Report No. 08/2014, the Management Board of SECO/WARWICK S.A. announced that between August 19th 2013 and February 17th 2014 SECO/WARWICK EUROPE Sp. z o.o., a subsidiary, executed with mBank S.A. of Warsaw fourteen forward contracts to sell a total of EUR 3,417,500 (PLN 14,393,410), and five forward contracts to sell a total of USD 1,800,000 (PLN 5,523,240). The value of the forward contracts totals PLN 19,916,650. The forward contract to sell a total of EUR 1,000,000 (PLN 4,248,000), concluded between the Company's subsidiary SECO/WARWICK EUROPE Sp. z o.o. and mBank S.A. of Warsaw on August 19th 2013, was the contract with the highest value.

In Current Report No. 09/2014, the Management Board of SECO/WARWICK S.A. announced that on February 17th 2014 it was notified of a contract concluded between Retech Systems LLC of Ukiah, SECO/WARWICK S.A.'s US subsidiary, and Carpenter Technology Corporation of the United States, for the construction and delivery of equipment for the production of metal powder. The contract was executed on February 14th 2014, its term runs until March 25th 2015, and its value is USD 11,500,000 (PLN 34,787,500). Under the contract, any disputes arising between the parties will be filed with the arbitration court. Arbitration proceedings will be conducted by the Delaware District Court or, if it is not the competent court for the case, by the Delaware State Court.

Details on the events occurring after the end of the reporting period are provided in current reports, available from the corporate website at:

www.secowarwick.com

32. Description of the policy on the development directions for the Group

Key objectives of the Group's new development strategy until 2016

1. Mission

SECO/WARWICK is a global provider of industrial equipment and advanced metal heat treatment technologies. Thanks to their innovativeness and conformity with modern industrial processes, our products offer customers competitive advantage in the production process.

2. Group value growth

A three-fold growth in SECO/WARWICK's business, from revenue of ca. PLN 370m in 2011 to ca. PLN 1bn in 2016, and an increase in net margin to ca. 7%.

3. Changes in organisational structure

Implementation of organisational changes whereby SECO/WARWICK is to become a global industrial group with its management centre in Świebodzin, Poland. The function of the holding company with a staff of between ten to twenty employees will be, apart from its natural governance function, to manage the gradual implementation of the best technologies and the transfer of best practices between the regional companies. In order to streamline the organisational structure, as of January 1st 2013 the operating activities in Poland will be consolidated in one company SECO/WARWICK Europe, which will be an operating centre for the European region and, at the same time, a model enterprise for other companies. Savings generated as a result of the spinning off of operating activities from SECO/WARWICK S.A. to SECO/WARWICK Europe S.A. are estimated at ca. PLN 5.25m from 2013, with an additional PLN 4.5m from 2014.

4. Investment

The Group's organic growth will be supported by growth through acquisitions. The Management Board plans to incur capital expenditure of PLN 40–50m in 2012–2013.

5. Financing structure, dividend distributions

- A secure financing structure planned to be maintained, with low debt facilitating flexible response to market changes;
- Investment programmes to be financed with internally generated cash flows;
- Effective control over SUBs – implementation of a system to effectively expatriate profits to the holding company;
- Dividend policy from 2013 onwards – upon completion of intensive investment efforts, recommendation to pay out >50% of net profit;

6. Macroeconomic assumptions

- In the Group's markets, including emerging markets, expected improvement in the GDP growth rate; over the next two years the growth rate is expected to return to its pre-crisis level; China and India will remain growth leaders;
- Foreign exchange rates of the currency pairs relevant to SECO/WARWICK's business are expected to stabilise within the following ranges: EUR/USD: 1.25-1.35; EUR/PLN: 3.8-4.2; and as the product of the two preceding rates - USD/PLN: 2.8-3.4.

33. Information on:

- a) the date of the agreement concluded by the Company with a qualified auditor of financial statements for an audit or review of financial statements or consolidated financial statements, and the term of such agreement,
- b) the remuneration payable or paid to the qualified auditor of financial statements for the financial year, separately for:
 - audit of the annual financial statements
 - other assurance services, including a review of financial statements,
 - tax advisory services,
 - other services,
- c) information specified in item b) above should also be disclosed for the previous financial year

The Supervisory Board of the Company, acting under Par. 29.1.6 of the Articles of Association, which authorises it to select the Company's auditor, passed Resolution No. 8/2013, appointing PKF Audyt Sp. z o.o. of Warsaw as the auditor responsible for auditing the annual separate financial statements of SECO/WARWICK S.A. and the consolidated financial statements of the SECO/WARWICK Group for 2013.

Furthermore, the Supervisory Board, acting under Par. 29.1.6 of the Articles of Association, which authorises it to select the Company's auditor, passed Resolution No. 8/2013, appointing PKF Audyt Sp. z o.o. of Warsaw as the auditor responsible for reviewing the semi-annual separate financial statements of SECO/WARWICK S.A. and the semi-annual consolidated financial statements of the SECO/WARWICK Group for 2013.

The agreement with the auditor was executed on July 2nd 2013.

PKF Audyt Sp. z o.o., with registered office at ul. Orzycka 6 (suite 1B), Warsaw, is entered in the list of qualified auditors of financial statements under Reg. No. 548.

On September 27th 2013, PKF Consult Sp. z o.o. acquired PKF Audyt Sp. z o.o. The former assumed all rights and obligations under the agreements to which PKF Audyt Sp. z o.o. was a party. Hence, the relevant resolution concerning appointment of the qualified auditor remains in effect. PKF Consult Sp. z o.o. is entered in the list of qualified auditors of financial statements under Reg. No. 477.

PKF Audyt Sp. z o.o. is also the auditor of SECO/WARWICK EUROPE Sp. z o.o. (formerly SECO/WARWICK ThermAL S.A.).

The audit of the annual separate financial statements and the review of the semi-annual separate financial statements of SECO/WARWICK Corporation were performed by Parente Beard LLC.

At Retech Systems LLC, the annual separate financial statements were audited and the semi-annual separate financial statements were reviewed by Miller & Associates.

Shanghai PKF CPAs Co., Ltd. audited the annual separate financial statements and reviewed the semi-annual separate financial statements of SECO/WARWICK Retech.

The annual separate financial statements of SECO/WARWICK Rus were audited by FBK LLC.

The audit of the separate financial statements of SECO/WARWICK Allied for a nine-month period was performed by PKF Sridhar & Santhanam.

The separate financial statements of SECO/WARWICK do Brasil Ltda for a seven-month period were audited by Directa Auditores.

The table below presents the total remuneration of the auditors for 2013 and 2012.

Table: Total remuneration of the auditors for 2013 and 2012

Service	Remuneration for 2013 PLN '000	Remuneration for 2012 PLN '000
Audit of annual financial statements	739	393



THE SECO/WARWICK GROUP

Directors' Report on the operations of the SECO/WARWICK Group
in the year ended December 31st 2013

Review of financial statements	409	218
Tax advisory services	281	156
Other services	95	111
TOTAL	1,524	878

Date: April 29th 2014

Paweł Wyrzykowski
*President of the
Management Board*

Wojciech Modrzyk
*Vice-President of the
Management Board*

Jarosław Talerzak
*Vice-President of the
Management Board*