

Current Report No. 23/2010

Subject: Execution of Term Sheet for Acquisition of Retech Systems LLC

Legal basis: Art. 56.1.1 of the Public Offering Act – Inside Information

The Management Board of SECO/WARWICK S.A. hereby reports that on September 14th 2010 the Company and James A. Goltz executed a Term Sheet for the acquisition of 50% of shares in Retech Systems LLC of Ukiah (USA), as a result of which the Company would hold 100% of shares in Retech Systems LLC.

The value of the transaction is USD 12.5m (PLN 38,431,250 translated at the mid-exchange rate quoted by the National Bank of Poland).

The key terms and conditions of the transaction outlined in the Term Sheet are as follows:

- (1) The Issuer is to acquire 50% of shares in Retech Systems LLC held by James A. Goltz in the following manner: (i) 40% of shares in Retech Systems LLC, with a value of USD 10m (PLN 30,745,000 translated at the mid-exchange rate quoted by the National Bank of Poland) is to be contributed by James A. Goltz to SECO/WARWICK S.A. in exchange for the new shares in SECO/WARWICK S.A., (ii) 10% of shares in Retech Systems LLC is to be purchased by the Company for USD 2.5m (PLN 7,686,250 translated at the mid-exchange rate quoted by the National Bank of Poland) on the basis of a share purchase agreement.
- (2) In connection with the contribution, by James A. Goltz, of 40% of shares in Retech Systems LLC to SECO/WARWICK S.A., the Company's share capital will be increased.
- (3) New shares will be issued for James A. Goltz, with the pre-emptive rights of existing shareholders waived.
- (4) New shares acquired by James A. Goltz will be subject to a lock-up period of not less than 18 months following the acquisition date.

In accordance with the Term Sheet, if any term or condition provided for therein cannot be met or involves significant expenditure, the parties will in good faith negotiate such changes to the structure of the transaction that would enable them to execute the transaction in the most effective manner.

Pursuant to the Term Sheet, an investment agreement to be concluded between James A. Goltz and the Issuer will provide for an additional payment of not more than USD 2.5m (PLN 7,686,250 translated at the mid-exchange rate quoted by the National Bank of Poland), to be made by Retech Systems LLC to James A. Goltz. Detailed terms of the payment will be set out in the investment agreement.

Furthermore, the investment agreement will provide that after the closing of the transaction James A. Goltz will hold the position of President of the Management Board of Retech Systems LLC for the period and on the terms and conditions set out in a separate agreement.

The transaction is to be closed in December 2010.

Under the Term Sheet, a series of agreements and other documents are to be concluded to enable the execution of the transaction, including the investment agreement, share purchase agreement, and lock-up agreement.

The following conditions precedent to the execution of the transaction apply:

- (1) results of a legal due diligence to be carried out at Retech Systems LLC are satisfactory to the Company,
- (2) any required permits, approvals and authorisations are obtained by both parties.

Pursuant to the Term Sheet, the Company holds the exclusive right to negotiate the acquisition of 50% of shares in Retech Systems LLC until December 31st 2010, unless the parties withdraw from the transaction before that date.

At the same time, the Company has the right to withdraw from the transaction if:

- (1) the legal due diligence reveals issues with a material adverse effect on the transaction or Retech Systems LLC's business and the issues cannot be solved within a period determined by the parties;
- (2) an event with a material adverse effect on Retech Systems LLC (i.e. an event resulting in a material adverse change in Retech Systems LLC's business, financial standing, etc., amounting to at least 10% of the transaction's value, i.e. USD 1.25m (PLN 3,843,125 translated at the mid-exchange rate quoted by the National Bank of Poland)) occurs between the date of the Term Sheet and the issue of new shares.

James A. Goltz has the right to withdraw from the transaction if an event with a material adverse effect on SECO/WARWICK S.A. (i.e. an event resulting in a material adverse change in the Issuer's business, financial standing, etc., amounting to more than 10% of the Issuer's equity) occurs between the date of the Term Sheet and the issue of new shares.

The Term Sheet does not provide for any contractual penalties.

The Term Sheet is not a binding agreement, save for the provisions on the exclusive right to negotiate the acquisition, the Company's and James A. Goltz's rights to withdraw from the transaction, and confidentiality. However, neither party intends to renegotiate the terms and conditions of the transaction, provided that the parties' assumptions with respect to the acquisition of shares in Retech Systems LLC by the Company prove correct.