

Resolution No. 6/2016
of the Supervisory Board of SECO/WARWICK S.A. of Świebodzin
dated April 28th 2016

*concerning: Assessment of the standing of SECO/WARWICK Spółka Akcyjna
in the reporting period January 1st–December 31st 2015,
including assessment of the internal control
and risk management systems*

Pursuant to Principle II.Z.10.1 of the Code of Best Practice for WSE Listed Companies, the Supervisory Board of SECO/WARWICK Spółka Akcyjna submits to the Annual General Meeting and publishes its assessment of the Company's standing, including assessment of the internal control and risk management systems, as well as of compliance and internal audit function, taking into consideration control mechanisms relating to financial reporting and operating activities.

I. Business and financial performance in 2015

Since 2013, SECO/WARWICK S.A. has operated as a holding company. The Company's primary source of revenue is from the provision of services to the Group companies covered by a CSA agreement (Management Services Agreement) and income from licensing fees (License Agreement). In 2015, revenue from services to the Group companies amounted to PLN 12.1m (2014: PLN 12.0m).

In 2015, despite dividends totalling PLN 25.1m received from its subsidiaries, the Company reported a net loss of PLN 37.4m, which was mainly attributable to the recognition of impairment losses on investments in SECO/WARWICK Allied (PLN 13.8m), SECO/WARWICK Corporation (PLN 21.8m) and Retech Systems (PLN 12.4m). The impairment losses presented in the financial statements of SECO/WARWICK S.A. for the 2015 financial year totalled PLN 48m.

As at December 31st 2015, outstanding debt under investment facilities was PLN 33m, and the Company had no debt outstanding under overdraft facilities. The current and quick ratios were at 2.1 (with its current business profile, the Company holds no inventories), while the cash ratio (cash to current liabilities) was 0.6, which is on a good level.

II. Internal audit and risk management systems, including control mechanisms for financial reporting

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 drafted 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 systems applied to financial reporting were developed based on:

- clear division of responsibilities and organisation of work in the financial reporting process
- precise definition of the scope of the Group's financial reporting

- application of uniform accounting policies across the Group, based on the Group’s “accounting manual”
- periodic analysis of the SECO/WARWICK Group’s performance based on financial reporting used at the Group and monthly meetings at which the performance of individual Group companies is discussed
- requirement to submit financial statements for approval prior to their publication
- audit/review of the Company’s financial statements by an independent qualified auditor

III. Internal audit and risk management systems, including control mechanisms for operating activities

Risk control and management in operating activities are mainly performed by monitoring a number of ratios and indicators describing the organisation’s functioning and project execution (these are primarily ratios and indicators measuring the quality, timeliness and costs), as well as by a number of processes defining relevant procedures, controls and risk mitigation measures. Findings of the monitoring and control, as well as the risk analysis form a basis for remedial and preventive measures. Control and risk mitigation processes are described in internal management documents and are subject to the both external and internal audits. One element of control of the organisation’s functioning is a comparison of budget projections with current and expected performance, taking into consideration phenomena and situations that may result in changes and deviations. Control and monitoring in operating activities, where they refer to projects, are already implemented at the time of preparing technical and price proposals and continue until the sale of the product/service and later, over the warranty period. They include numerous standardised processes, instructions and tools.

IV. Internal control system including the internal audit function

Given the profile and scale of its operations, the Company has not established the function of an independent internal auditor. The Company has implemented relevant internal systems appropriate for the type and scale of its business.

The Supervisory Board approves the Management Board’s activities in 2015. The Supervisory Board takes a positive view of the growth prospects of the Company and the Group.

This Resolution shall become effective as of its date.

This Resolution was voted on by an open ballot.

Number of Supervisory Board members in attendance: _____

Votes in favour of the resolution: _____

Votes against the resolution: _____

Abstentions: _____