



SECO/WARWICK
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**SECO/WARWICK S.A. DIRECTORS' REPORT
ON THE COMPANY'S OPERATIONS**

December 31st 2016

The Management Board of SECO/WARWICK S.A. (the “Company” or the “Issuer”) presents the Directors’ Report on the Company’s operations in the period January 1st–December 31st 2016, prepared in accordance with 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 2014, item 133, as amended) (the “Regulation”).

The financial statements of SECO/WARWICK S.A. were prepared in accordance with the International Financial Reporting Standards (*IFRS*) endorsed by the EU, and their scope is compliant with the Regulation. The financial statements cover the period January 1st–December 31st 2016 and the comparative period January 1st–December 31st 2015.

1. Introduction

SECO/WARWICK S.A. (the “Company” or the “Parent”) was entered in the Business Register 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 SECO/WARWICK Group’s operations are divided into five core business segments corresponding to the product groups:

- vacuum furnaces (Vacuum),
- aluminium heat exchanger brazing systems (Controlled Atmosphere Brazing),
- aluminium heat treatment systems (Aluminium Process),
- atmosphere furnaces (Thermal), and
- equipment used for melting and vacuum casting of metals and specialty alloys (Melting).

For detailed information on operating segments, see the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the 12 months ended December 31st 2016).

2. Organisational and equity links between SECO/WARWICK S.A. and other entities; information on the Company’s key domestic and foreign equity investments, including equity investments outside of its group of related entities; financing of the investments

Table: As at December 31st 2016, 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	Holding company of the SECO/WARWICK Group. Holding equity interests and providing strategic management services	N.A.	N.A.

Direct and indirect subsidiaries

SECO/WARWICK EUROPE Sp. z o.o.	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)	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)	A holding company	Full	80%
SECO/WARWICK Allied Pvt. Ltd.	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	98%
ALLIED FURNACES PVT. LTD.	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	98%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces and spare parts manufactured by SECO/WARWICK EUROPE Sp. z o.o., and provision of technical support to customers in Germany, Austria, the Netherlands, Switzerland, Liechtenstein and Slovenia	Full	100%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	Equity	50%
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany	Full	100%
SECO/WARWICK France	Roissy-en-Brie (France)	Commercial and technical representation of SECO/WARWICK Europe in France, French-speaking countries and their neighbouring countries	Full	100%
SECO/WARWICK Services Sp. z o.o.	Świebodzin	Repair and maintenance services	Full	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	A holding company	Full	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces	Full	100%

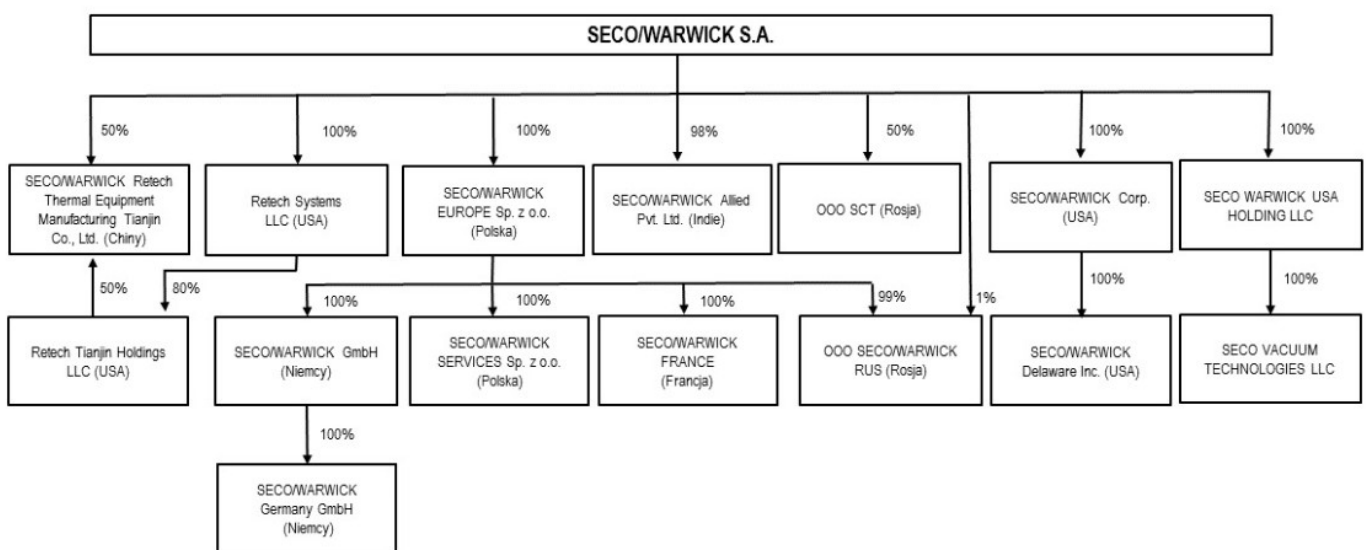
Changes in the composition of the SECO/WARWICK Group in the analysed period

On July 12th 2016, SECO WARWICK USA HOLDING LLC of Wilmington (USA), in which SECO/WARWICK S.A. holds 100% of shares, was registered. The company is a holding company.

On July 12th 2016, SECO VACUUM TECHNOLOGIES of Wilmington (USA), in which SECO WARWICK USA HOLDING LLC holds 100% of shares, was registered. The company's business consists in the sale and distribution of vacuum furnaces.

On July 14th 2016, a conditional agreement for the sale of shares in SECO/WARWICK do Brasil Indústria de Fornos Ltda. of Jundai, Brasil, was signed. The company was sold after all conditions stipulated in the agreement were met, on September 1st 2016.

SECO/WARWICK Group's structure as at December 31st 2016:



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

In Current Report No. 1/2017, referring to Current Report No. 26/2016 of October 31st 2016, the Management Board of SECO/WARWICK S.A. announced that on January 2nd 2017 the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, registered the merger of the Company with its subsidiary, SECO/WARWICK EUROPE sp. z o.o. of Świebodzin.

The merger was effected pursuant to Art. 492.1.1 of the Commercial Companies Code, i.e through the transfer of all assets of SECO/WARWICK EUROPE Sp. z o.o. to SECO/WARWICK S.A. by way of universal succession. As a result of the merger, SECO/WARWICK S.A., as the acquirer, assumed all the rights and obligations of SECO/WARWICK EUROPE Sp. z o.o., which was dissolved without liquidation proceedings, as of the date of its deletion from the register.

Between December 31st 2016 and the issue date of this Report, there were no other changes in the composition of the SECO/WARWICK Group.

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

3. Changes in significant management policies at SECO/WARWICK S.A. and its Group

In the reporting period, there were no changes in significant management policies at SECO/WARWICK S.A. or the 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

MANAGEMENT BOARD

Members of the Management Board receive remuneration based on their respective employment contracts. Severance or compensation payments are governed by the Labour Code. The amount of remuneration payable to the Management Board members is defined in the resolutions passed by the Company's Supervisory Board on January 12th 2012, December 13th 2012, December 5th 2013, and April 23rd 2015.

Table: Remuneration of SECO/WARWICK S.A. Management Board members for 2016 (PLN '000)

Name and surname	Remuneration
Paweł Wyrzykowski – President of the Management Board	774
Jarosław Talerzak – Vice President of the Management Board	413
Wojciech Peret – Member of the Management Board.	403
Total	1 590

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 of SECO/WARWICK S.A. Supervisory Board members for 2016 (PLN '000)

Name and surname	Remuneration
Andrzej Zawistowski, including:	223
- for his service as Chairman of the Supervisory Board	120
- under agreement for advisory services ⁽¹⁾	103
Jeffrey Boswell, including:	161
- for his service as Member of the Supervisory Board	-
- under employment contract ⁽²⁾	161
James A. Goltz, including:	840
- for his service as Member of the Supervisory Board	-
- under employment contract ⁽³⁾	840
Dr Gutmann Habig ⁽⁴⁾	46
Henryk Pilarski	54
Witold Klinowski, including:	196
- for his service as Member of the Supervisory Board ⁽⁵⁾	20

- under agreement for advisory services ⁽⁶⁾	176
Marcin Murawski	44
Paweł Tamborski ⁽⁷⁾	22
Total	1,586

- (1) 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.
- (2) Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.
- (3) Under an employment contract between Retech Systems LLC and Mr James A. Goltz.
- (4) Mr Gutmann Habig was removed from his position of Member of the Supervisory Board by Resolution No. 28 of the General Meeting of June 24th 2016.
- (5) Mr Witold Klinowski tendered his resignation as member of the Supervisory Board, with effect from June 24th 2016.
- (6) Under an agreement for the provision of technical and product development advisory services of October 3rd 2013, executed between SECO/WARWICK EUROPE Sp. z o.o. and Mr Witold Klinowski.
- (7) Mr Paweł Tamborski was appointed as Member of the Supervisory Board by Resolution No. 29 of the General Meeting of June 24th 2016.

5. Agreements between SECO/WARWICK S.A. 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 held by the management and supervisory staff

	01.01.2016			Decrease/increase	31.12.2016			Total par value of shares (PLN)
	Number of S/W shares held	Ownership interest	% of total vote		Number of S/W shares held	Ownership interest	% of total vote	
Management Board								
Paweł Wyrzykowski	254,558	2.37%	2.37%	-	254,558	2.47%	2.47%	50,912
Jarosław Talerzak	29,558	0.28%	0.28%	-	29,558	0.29%	0.29%	5,912
Wojciech Peret	-	-	-	4,000	4,000	0.04%	0.04%	800
Supervisory Board								
Andrzej Zawistowski	65,000	0.61%	0.61%	-	65,000	0.63%	0.63%	13,000
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Henryk Pilarski	10	0.0001%	0.0001%	-	10	0.0001%	0.0001%	2

Witold Klinowski	-	-	-	-	-	-	-	-
James A. Goltz	-	-	-	-	-	-	-	-
Dr Gutmann Habig	-	-	-	-	-	-	-	-
Marcin Murawski	-	-	-	-	-	-	-	-
Paweł Tamborski	-	-	-	-	-	-	-	-
Commercial proxies								
Piotr Walasek	19,335	0.18%	0.18%	-	19,335	0.19%	0.19%	3,867
Total	378,237	3.52%	3.52%	4,000	382,237	3.71%	3.71%	76,447

Item	01.01.2016	Item	31.12.2016
Number of shares	10,737,837	Number of shares	10,298,554
Par value per share	0.20	Par value per share	0.20
Share capital	2,147,567.40	Share capital	2,059,710.80

The Management Board of SECO/WARWICK S.A. ("Company") announced that on May 24th 2016 it received a notification given by a Management Board Member under Art. 160 of the Act on Trading in Financial Instruments (the "Notification"). According to the Notification, on May 23rd 2016 the Management Board Member purchased 4,000 Company shares for PLN 17.90 per share. The shares were acquired outside of the regulated market.

By the issue date of this Report, members of SECO/WARWICK S.A.'s Management and Supervisory Boards did not enter into any other transactions that would involve their holdings of Company shares.

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

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 April 23rd 2015 the Supervisory Board approved the key objectives of the 2016–2018 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2016–2018 Incentive Scheme").

General objectives of the Incentive Scheme of SECO/WARWICK S.A.

- The Incentive Scheme is effective for 2016, 2017 and 2018.
- The Incentive Scheme covers 995,750 Company shares which may be distributed to Eligible Persons.
- Scheme Participants include key members of the Group's management staff who are identified as Scheme Participants in the relevant resolution of the Supervisory Board, and in the period between February 1st 2015 and August 15th 2015 acquire with their own funds, in their own name and for their own account no less than 4,000 and no more than 11,500 Company shares. In the case of the President of the Management Board of SECO/WARWICK SA, the number of shares to be acquired is 100,000. In the case of the President of the Management Board of SECOWARWICK Europe, the largest company of the Group, the number of shares to be acquired is 35,000. The price per share is PLN 25.
- The number of acquired shares and the 3.5 multiple defines the number of potential options which may be granted under the Scheme subject to fulfilment of the conditions specified below.
- Shares for a participant's own account must be acquired no later than on August 15th 2015,

- and may not be sold before June 30th 2022.
- The persons specified in the Supervisory Board's resolution are to declare their intention to participate in the Incentive Scheme by August 31st 2015.
- Participants of the scheme will be assigned individual objectives and a joint objective, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme.
- Achievement of individual objectives is a pre-condition for acquiring rights to 15% of the options in each of the years 2016, 2017 and 2018.
- Achievement of the joint objective is a pre-condition for acquiring rights to 55% of the options in 2016, 2017 and 2018.
- Achievement of the Individual Objectives will be revised on the basis of the Company's audited financial information.
- Achievement of the Individual Objectives will be verified by the Audit Committee by April 30th of each consecutive financial year for the previous financial year.
- Achievement of the Joint Objective will be verified on the basis of the Company's audited financial information for all the financial years between 2016 and 2018.
- Achievement of the Joint Objective will be verified by the Audit Committee by April 30th 2019.
- If a Scheme Participant achieves the Individual Objectives or the Joint Objective, such participant will become eligible to acquire Company Shares in the number and on the terms and conditions specified in the Scheme Rules, and to obtain a Capital Bonus (the "Option").
- Options will vest in accordance with the provisions of agreements to be entered into between the Company and the individual Scheme Participants (the "Option Agreement").
- Rights under Options may not be transferred or encumbered. Such rights are attached to a Scheme Participant and expire upon his/her death.
- An Option entitles a Scheme Participant to purchase Shares at nominal price, in the number specified in the Option Agreement.
- An Option also entitles a Scheme Participant to receive from the Company annual payments whose amount will depend on the amount of dividend paid by the Company for a preceding financial year (the "Capital Bonus").
- The Capital Bonus for a given financial year will be calculated by July 31st of a given financial year, on the basis of a resolution on distribution of the Company's profit and the Company's audited financial information for the previous financial year, based on the following formula:

$$PK_t = \frac{Div_t}{LA} \times LAUP$$

where:

PKt	–	the Capital Bonus to be paid in a given financial year,
Divt	–	the amount of dividend to be paid in a given financial year,
LA	–	the total number of Company shares participating in dividend payment,
LAUP–		the number of Company shares that a Scheme Participant is entitled to acquire in the exercise of an Option; Shares already delivered to a Scheme Participant are not taken into account in this calculation;

- The right to obtain the Capital Bonus expires on or before the last Distribution Date.
- Date of settlement of the acquisition by a Scheme Participant of Company Shares in the exercise of an Option (Distribution Date)
 - in the case of Scheme Participants other than the President of the Management Board, the Distribution Date will be: June 30th 2020 – in respect of 33% of Shares receivable by a Scheme Participant, June 30th 2021 – in respect of another 33% of Shares receivable by a Scheme

- Participant, and June 30th 2022 – in respect of the remaining 33% of Shares receivable by a Scheme Participant;
- in the case of the Management Board President, the Distribution Date will be August 31st 2019 in respect of all Shares receivable by him.

The Supervisory Board determined the Individual Objectives and the Joint Objective for the Incentive Scheme Participants, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme for the financial year 2016. The Objectives cover financial and operating ratios of the individual subsidiaries, the organisational units related to particular technologies, or the entire Group, depending on the position of a Scheme Participant. For the entire Group, the Individual Objective for the President of the Management Board, Chief Financial Officer and Chief Operating Officer at SECO/WARWICK S.A., the Parent, is the consolidated net profit of the Group. For 2016 and 2017, the Objective is set at PLN 18m.

8. Control systems for employee stock option plans

The Scheme is overseen by the Supervisory Board and the Management Board of SECO/WARWICK S.A. Its detailed rules were approved by the Supervisory Board on April 23rd 2015.

9. Share buybacks

In 2016, the Company did not acquire its own shares.

10. Discussion of key financial and economic data contained in the full-year financial statements and of factors and events, including non-recurring ones, with a material effect on the Company'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

Since 2013, SECO/WARWICK S.A. has operated as a holding company. The Company's primary source of revenue is the provision of services to the Group companies covered by a CSA agreement (Management Services Agreement) and income from licensing fees (License Agreement). In 2016, revenue from sales to the Group companies amounted to PLN 11.4m (PLN 12.1m in 2015).

In 2016, the Company posted a net loss of PLN 2.0m despite dividends of PLN 13.0m received from the subsidiaries. The loss resulted mainly from impairment losses recognised on equity interests in foreign companies, amounting to PLN 14.5m.

In 2016, the ROE ratio was -1.8% (2015: -25.9%).

STATEMENT OF FINANCIAL POSITION

Given the nature of the Company's business and its position within the Group, the significance of and movements in certain ratios could be interpreted differently for the Company and the Group.

As at the end of 2016, the Company's non-current to current assets ratio was 13.3 (2015: 4.4). The change is attributable to change in current assets, other short-term receivables, whose value was unusually high in 2015. The value of the ratio should be deemed normal considering the Company's business profile – the Company's non-current assets include equity interests in other Group companies, and its cash requirements are met from sales of products and, periodically, from dividends received.

The equity to liabilities ratio was 3.4 (2.7 in 2015), which demonstrates that the Company is almost entirely independent of external financing. The change was brought about by a decrease in the Company's debt. In 2016, the Company recorded an equity financing of non-current assets ratio of 0.8, slightly below the 2015 value of 0.9.

The current and quick ratios were at 0.8 (2.1 in 2015) (given its business profile, the Company holds immaterial inventories), while the cash ratio (cash to current liabilities) was 0.1 (0.6 in 2015), close to the model value.

The Company's debt ratios improved significantly in 2016: the total debt ratio is 23% (27% in 2015) and the long-term debt ratio is 18% (25% in 2015). The change is due to regular repayment of a long-term loan granted to the Company in 2015 for the acquisition of its own shares.

Presented below are the Company's selected efficiency indicators:

- the average collection period shortened from 442 days in 2015 to 384 days in 2016. This long collection period results from the nature of the Company's business and the adopted invoicing policy (invoices are issued to the subsidiaries on a quarterly basis).

- the average payment period changed slightly from 526 days in 2015 to 527 days in 2016.

The asset turnover ratio and the current asset turnover ratio stood at 0.2 and 0.6, respectively, in 2016. These values (broadly unchanged on the previous year's figures of 0.2 and 0.4, respectively), following from the role of SECO/WARWICK S.A. as a holding company, are considered healthy.

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

In 2016, SECO/WARWICK S.A. recognised impairment losses on shares held in SECO/WARWICK Allied, OOO SCT and SECO/WARWICK Brasil, in an amount of PLN 8,930 thousand, PLN 4,228 thousand and PLN 1.390 thousand, respectively. The impairment losses presented in the financial statements of SECO/WARWICK S.A. for the 2016 financial year totalled PLN 14,548 thousand.

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.

Following the organisational changes introduced in 2013, the key customers of SECO/WARWICK S.A.'s management services are the Company's subsidiaries.

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

In Current Report No. 31/2016 the Management Board of SECO/WARWICK S.A. announced that it was notified that on November 8th 2016 the following shareholders of the Company:

- (i) SW Holding sp. z o.o. ("SWH"), holding 3,387,139 Company shares,
- (ii) Spruce Holding LLC ("SHLLC"), holding 1,123,337 Company shares,
- (iii) Paweł Wyrzykowski ("PW"), holding 255,000 Company shares,
- (iv) Andrzej Zawistowski ("AZ"), holding 65,000 Company shares,
- (v) Bartosz Klinowski ("BK"), holding 35,000 Company shares,

(SWH, SHLLC, PW, AZ and BK, jointly the "Shareholders") signed of a share lock-up agreement (the "Agreement").

Pursuant to the Agreement, the Shareholders agreed not to dispose of, offer or pledge the following holdings of Company shares:

- (i) 3,387,139 Company shares held by SWH,
- (ii) 1,123,337 Company shares held by SHLLC,
- (iii) 255,000 Company shares held by PW,
- (iv) 65,000 Company shares held by AZ, and
- (v) 35,000 Company shares held by BK.

The lock-up restrictions imposed under the Agreement remain in effect until December 31st 2019, but they may expire before that date in certain circumstances agreed by the Parties in the Agreement.

In 2016, 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 SECO/WARWICK S.A. or its subsidiaries other than arm's length transactions

In 2016, 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

Table: SECO/WARWICK S.A.'s outstanding borrowings as at December 31st 2016

Lender	Borrowing amount		Repayment date	Security	Interest rate	Type
	PLN ('000)	Foreign currency (USD '000)				
mBANK S.A.	20,524	-	31.01.2020	mortgage, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law, hold on securities	variable	Investment overdraft facility
Bank Handlowy	3,954	946	27.04.2018	mortgage of up to USD 3,750 thousand, SECO/WARWICK EUROPE Sp. z o.o.'s surety under civil law	variable	Investment overdraft facility
Total:	24,478	x				

For more detailed information on SECO/WARWICK S.A.'s liabilities under bank borrowings see Note 19 to the Separate Financial Statements of SECO/WARWICK S.A. As at the end of 2016, SECO/WARWICK S.A. had no liabilities under other debt instruments. In 2016, no agreement concerning bank borrowings or other debt instruments was terminated.

16. Sureties and guarantees issued and received in the financial year, including in particular sureties and guaranties issued to related entities

Contingent liabilities under guarantees and sureties issued amounted to PLN 14,443 thousand as at the end of 2016, and to PLN 28,280 thousand as at the end of 2015. The guarantees were issued in respect of performance (PBG) and standby letter of credit (SBLC).

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

Company	Bank	Surety in respect of	Currency	31.12.2016	Amount (PLN)
S/W ALLIED Pvt. Ltd. ⁽¹⁾	Union Bank of India	Guarantee and credit facility	INR	258,200	15,892
RETECH Systems ⁽²⁾	HSBC BANK USA	Guarantee and credit	USD	4,500	18,807

		facility			
RETECH Systems ⁽²⁾	HSBC BANK USA	Guarantee and credit facility	USD	5,500	22,986
S/W Retech ⁽³⁾	HSBC BANK USA	Guarantee and credit facility	USD	2,750	11,493
TOTAL					69,179

(1) The amount drawn by S/W Allied under the available guarantee and credit facilities as at December 31st 2016 was INR 110,575 thousand.

(2) The amount drawn by Retech Systems under the available guarantee and credit facilities as at December 31st 2016 was USD 3,185 thousand.

(3) The amount drawn by S/W Retech under the available guarantee and credit facilities as at December 31st 2016 was USD 1,569 thousand.

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

Company	Bank	Surety in respect of	Currency	31.12.2016	Amount (PLN)
S/W EUROPE	CITI Bank Handlowy	Investment facility	USD	3,600	15,045
S/W EUROPE	mBank S.A.	Investment facility	PLN	26,845	26,845
TOTAL					41,890

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

On March 3rd 2016, the Company advanced a USD 230.8 thousand loan to its subsidiary, SECO/WARWICK Corporation. The loan amount in PLN was PLN 912 thousand. The loan was cancelled in 2016.

On November 14th 2016, the Company advanced a PLN 1m loan to its subsidiary, SECO/WARWICK Europe.

No loans were advanced by SECO/WARWICK S.A. to members of the Management or the Supervisory Board, or any non-related parties in 2016.

18. Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the Company'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 Company 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

In 2016, the Company repaid its liabilities under the credit facilities contracted to finance investing activities in a timely manner.

As at December 31st 2016, the outstanding debt under investment facilities was PLN 24,478 thousand. As at the same date, the Company had no overdraft debt outstanding. As at December 31st 2015, the outstanding debt under the investment facility was PLN 33,001 thousand. As at the same date, the Company had no overdraft debt outstanding.

The current and quick ratios were at 0.8 (given its current business profile, the Company holds immaterial inventories), while the cash ratio (cash to current liabilities) was 0.1, close to the model value. The main factor

behind the year-to-year changes in the liquidity ratios in 2016 was a decrease in other short-term receivables (dividend). In 2015, the amount of other short-term receivables was unusually high.

The funds and credit facilities available to the Company were sufficient to finance investments and capital expenditure planned for and executed in 2016.

In the Management Board's opinion, as at the end of the reporting period there was no threat of the Company's failure to meet its liabilities.

The table below presents the liquidity ratios of SECO/WARWICK S.A.

LIQUIDITY RATIOS	Dec 31 2016	Dec 31 2015
Current ratio	0.8	2.1
Quick ratio	0.8	2.1
Cash ratio	0.1	0.6

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

No such events occurred in 2016.

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 of the Company's or the Group's financial performance in 2016.

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

In 2016, SECO/WARWICK S.A.'s activities were limited to performing the functions of a holding company and providing management services and support to the Group companies. The risk factors and the Group-wide financial risk management policy are described in detail in the consolidated report.

21.1 Currency risk

Its active international presence and a broad geographical reach require the Company to enter into transactions denominated in foreign currencies. Some of the Company's borrowings and other financial liabilities are also denominated in foreign currencies. This exposes the Company to the risk of exchange rate fluctuations.

Foreign-currency financial assets and liabilities translated into PLN using the closing exchange rate prevailing at the reporting date:

Liabilities	As at	As at	As at	As at
	31/12/2016	31/12/2016	31/12/2015	31/12/2015
	in foreign currency	in PLN	in foreign currency	in PLN
EUR	8	36	1	4
USD	967	4,041	1,875	6,157
	As at	As at	As at	As at

Assets	31/12/2016	31/12/2016	31/12/2015	31/12/2015
	in foreign currency	in PLN	in foreign currency	in PLN
EUR	232	1,025	1,063	4,529
USD	731	3,057	753	2,938

21.1.1 Foreign currency sensitivity analysis

The Company is mainly exposed to foreign currency risk related to EUR and USD.

Presented below is a sensitivity analysis for financial assets and liabilities, showing the effect of movements in the EUR/PLN exchange rate on the Company's profit or loss and other comprehensive income.

Exchange rate at Dec 31 2016	Exchange rate	+ 10% increase in exchange rate	Decrease in exchange rate -10%
USD	4.1793	0.418	-0.418
EUR	4.4240	0.442	-0.422

Exchange rate at Dec 31 2015	Exchange rate	+ 10% increase in exchange rate	Decrease in exchange rate -10%
USD	3.9011	0.390	-0.390
EUR	4.2615	0.426	-0.426

Assumptions:

- exchange rate at reporting date Dec 31 2016
- + 10% increase in exchange rate
- 10% decrease in exchange rate

Effect on equity		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
ASSETS					
Increase in ex. rate	10%	306	294	103	453
Decrease in ex. rate	-10%	-306	-294	-103	-453
LIABILITIES AND BORROWINGS					
Increase in ex. rate	10%	-404	-731	-3.6	-0.4
Decrease in ex. rate	-10%	404	731	3.6	0.4
TOTAL					

Increase in ex. rate	10%	-98	-437	99	452
Decrease in e ex. rate	-10%	98	437	-99	-452
Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
ASSETS					
Increase in ex. rate	10%	306	294	103	453
Decrease in ex. rate	-10%	-306	-294	-103	-453
LIABILITIES AND BORROWINGS					
Increase in ex. rate	10%	-404	-731	-3.6	-0.4
Decrease in ex. rate	-10%	404	731	3.6	0.4
TOTAL					
Increase in ex. rate	10%	-98	-437	99	452
Decrease in ex. rate	-10%	98	437	-99	-452

The currency risk exposure changes over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the above sensitivity analysis is considered to be representative of the Company's exposure to foreign currency risk.

21.2 Interest rate risk

The Company holds interest-bearing liabilities. Therefore, it is exposed to interest rate risk. In the financial year 2016, the total amount of interest on the Company's liabilities was PLN 1,048 thousand. The risk assessment is presented based on a 1% increase/decrease in interest rates.

	Effect on net profit/loss	Effect on equity	Effect on profit/loss	Effect on equity
	+ 1%/- 1%		+ 1%/- 1%	
	Year ended Dec 31 2016		Year ended Dec 31 2015	
Lease liabilities	+/- 3	+/- 3	+/- 5	+/- 5
Other financial liabilities at amortised cost	+/- 245	+/- 245	+/- 330	+/- 330

21.3 Capital management

The primary objective behind the Company's capital management is to maintain good credit rating and safe capital ratios, in order to support the Company's operations and enhance its shareholder value.

The Company manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders or issue new shares. During the year ended December 31st 2016, no changes were made to capital management objectives, policies or processes.

In monitoring its capital, the Company uses the leverage ratio calculated as net debt divided by total equity plus net debt. The Company's net debt includes interest-bearing borrowings and other debt instruments and

finance lease liabilities, less cash and cash equivalents. Equity includes convertible preference shares and equity attributable to equity holders of the parent, less capital reserve from unrealised net gains.

The gearing ratio at end of the year was as follows:

	Dec 31 2016	Dec 31 2015
	PLN'000	PLN'000
Debt	24,784	33,453
Cash and cash equivalents	-1,368	-7,569
Net debt	23,415	25,884
Equity	108,576	112,940
Net debt to equity	21.57%	22.92%

21.4 Liquidity risk

Liquidity risk is the risk that the Company may face problems with meeting its financial liabilities. Liquidity risk is managed by projecting future cash flows, analysing the relation of liquid assets to cash flows, monitoring liquidity ratios based on items of the statement of financial position and ensuring constant access to various sources of financing at the level of the individual members of the Company.

The Company also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility. The Company considers its bank borrowings as financial instruments that may potentially lead to a concentration of liquidity risk as the Company enters into cooperation with selected financial institutions only (see Note 22). As at December 31st 2016, short-term bank borrowings represented 69% of total current liabilities (December 31st 2015: 65%).

The table below presents the Company's financial liabilities by maturity as at December 31st 2016 and December 31st 2015, based on contractual undiscounted payments.

31.12.2016	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2015
Interest-bearing bank and other borrowings	-	8,961	15,517	-	24,478
Trade payables	-	1,132	-	-	1,132
Other liabilities	-	1,132	118	-	1,250
TOTAL	-	11,225	15,635	-	26,860

31.12.2015	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2015
Interest-bearing bank and other borrowings	-	8,785	24,215	-	33,001
Trade payables	-	583	-	-	583
Other liabilities	-	1,513	204	-	1,717
TOTAL	-	10,881	21,419	-	35,301

21.5 Credit risk

SECO/WARWICK S.A. considers its trade receivables and loans advanced to be financial assets that may potentially lead to a concentration of credit risk.

However, the Company's credit risk exposure is limited because, being a holding company, its principal business relationships are with related entities. The Company defines its exposure to credit risk as the total amount of outstanding receivables and monitors the balances owed by each company on a regular basis. As at December 31st 2016, receivables from the Company's largest trading partner represented 60% of total net trade receivables.

The credit risk relating to the Company's other financial assets, including loans, arises from the potential failure by the other party to an agreement to pay amounts owed, and the maximum exposure to this risk equals the carrying amount of those assets. The age structure of receivables is presented in Note 14 and the value of loans advanced in Note 15 to the financial statements of SECO/WARWICK S.A.

22. Statement of compliance with corporate governance principles by SECO/WARWICK S.A. in 2016

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

SECO/WARWICK S.A. is subject to the Code of Best Practice for GPW Listed Companies.

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

The Company did not observe any corporate governance principles 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

In 2016, SECO/WARWICK S.A. did not comply with the following rules of the Code of Best Practice for GPW Listed Companies:

- **I.Z.1.19.** A company should operate a corporate website and publish on it shareholders' questions asked to the management board pursuant to Article 428.1 or 428.6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13.
 - The Company's commentary: The Company complies with this principle where it obliges the Company to publish shareholders' questions asked to the management board pursuant to Article 428.1 or 428.6 of the Commercial Companies Code together with the management board's answers to those questions by fulfilling the obligation set forth in Par. 38.1.12 of the Minister of Finance's Regulation on current and periodic information of February 19th 2009. However, the Company believes that publishing shareholders' questions which the Company refused to answer pursuant to Article 428.2 or 428.3 of the Commercial Companies Code, which would mean full compliance with the principle discussed, could be detrimental to the Company's interests. Having no control over the contents, scope and wording of such questions, the Company would be obliged to publish them even if their publication were detrimental to the Company's interests or cause the Company to incur liability to third parties.
- **I.Z.1.20.** A company should operate a corporate website and publish on it a record of the General Meeting in audio or video format.
 - The Company's commentary: Given the Company's concentrated ownership structure, the Company does not record its General Meetings in electronic form. General Meetings are

attended by shareholders representing over 50% of the share capital. Each General Meeting is broadcast live on the Company's corporate website.

- **III.Z.3.** The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.
 - The Company's commentary: Given the scale and profile of its business, the Company has not designated an independent internal audit function and thus does not apply this principle. The Company has implemented appropriate internal systems suitable for the scale and profile of its business.
- **III.Z.4.** At least once a year, the person responsible for the internal audit function (if such function is designated within the Company) and the Management Board shall present to the Supervisory Board their own evaluation of the effectiveness of systems and functions referred to in Principle III.Z.1, together with an appropriate report.
 - The Company's commentary: Given the scale and profile of its business, the Company has not designated an independent internal audit function and thus does not apply this principle.
- **IV.R.2.** If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:
 - real-life broadcast of the general meeting;
 - real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
 - exercise of the right to vote during a general meeting either in person or through a plenipotentiary.
 - The Company's commentary: The Company's general meetings are not held with the use of electronic communication means. The Company believes that considering its concentrated ownership structure and financial aspects the use of electronic communication would not be reasonable. However, the Company declares that it will make an effort to implement the principle at the Company if a wider group of shareholders so request.
- **IV.Z.13.** If a shareholder requests information about the company, the management board of the company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Art. 428.2 or Art. 428.3 of the Commercial Companies Code.
 - The Company's commentary: The Company seeks to comply with this principle in full, yet this may prove difficult or impossible in practice. In certain cases it may happen that in order to answer shareholder questions exhaustively the Company needs more than the 30-day time limit set by the principle, especially if to give an answer the Company is required to conduct additional analyses or ask employees or members of the Company's governing bodies for clarifications.
- **VI.Z.4.** In the activity report, the company should report on the remuneration policy including at least the following:
 - 1) general information about the company's remuneration system;
 - 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
 - 3) information about non-financial remuneration components due to each management board member and key manager;
 - 4) significant amendments of the remuneration policy in the last financial year or information about their absence;

- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.
- The Company's commentary: This principle is not applied as the Company has not adopted any a remuneration policy. Remuneration of the Management Board Members is defined by the Company's Supervisory Board, while the Supervisory Board Members receive monthly lump-sum remuneration in amounts defined by resolution the Company General Meeting. The amounts of remuneration paid to the Management Board Members are disclosed in the Directors' Report on the Company's operations.

c. Main characteristics of SECO/WARWICK S.A.'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;

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. 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. Relevant performance data is supplied by the Group subsidiaries on a monthly basis. The data is analysed by the management board of the holding company and then discussed during conference calls with the subsidiaries' management boards.

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.

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 2016 and at the date of release of this Report:

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	10.91%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,046,573	10.16%	1,046,573	10.16%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.19%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

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

SECO / WARWICK S.A. holds 598,500 treasury shares representing 5.81% of the share capital. The Company does not exercise voting rights in respect of its treasury shares.

From the date of issue of the Q3 2016 report to the date of issue of the full-year report for 2016, there were no changes in large holdings of Company shares.

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

In Current Report No. 31/2016 the Management Board of SECO/WARWICK S.A. announced that it was notified that on November 8th 2016 the following shareholders of the Company:

- (vi) SW Holding sp. z o.o. ("SWH"), holding 3,387,139 Company shares,
- (vii) Spruce Holding LLC ("SHLLC"), holding 1,123,337 Company shares,
- (viii) Paweł Wyrzykowski ("PW"), holding 255,000 Company shares,
- (ix) Andrzej Zawistowski ("AZ"), holding 65,000 Company shares,
- (x) Bartosz Klinowski ("BK"), holding 35,000 Company shares,

(SWH, SHLLC, PW, AZ and BK, jointly the "Shareholders") signed of a share lock-up agreement (the "Agreement").

Pursuant to the Agreement, the Shareholders agreed not to dispose of, offer or pledge the following holdings of Company shares:

- (vi) 3,387,139 Company shares held by SWH,
- (vii) 1,123,337 Company shares held by SHLLC,
- (viii) 255,000 Company shares held by PW,
- (ix) 65,000 Company shares held by AZ, and
- (x) 35,000 Company shares held by BK.

The lock-up restrictions imposed under the Agreement remain in effect until December 31st 2019, but they may expire before that date in certain circumstances agreed by the Parties in the Agreement.

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 buyback of shares

The Parent's Management Board consists of two to five 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). Assuming an obligation or disposing of a right in excess of PLN 200,000.00 (two hundred thousand złoty) requires two Management Board members acting jointly or a Management Board member acting jointly with a commercial proxy authorised to act individually, or a Management Board member acting jointly with a commercial proxy holding joint powers of 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 the purpose of retiring them 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 with a view to retiring them. The Management Board has no authority to issue shares.

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. Amendments to the Articles of Associations are notified to the registry court by the Management Board of SECO/WARWICK S.A. The General Meeting of the Company may authorise the Supervisory Board to prepare a consolidated text of the amended Articles of Association or to make other editorial changes specified in the General Meeting's resolution.

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. 32 of the SECO/WARWICK S.A. General Meeting of June 24th 2016. The General Meeting may only be attended by persons who are the Company's shareholders sixteen days prior to the date of the General Meeting. 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. With respect to each agenda item being discussed, a shareholder is entitled to give 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. 18 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. 16 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. 9 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

In 2016, the Annual General Meeting of SECO/WARWICK S.A., formally convened, was held on June 24th 2016. The General Meeting was convened at the request of the Management Board. No requests to convene a General Meeting were submitted by shareholders in 2016.

The General Meeting was held in accordance with the Commercial Companies Code, the Rules of Procedure for the General Meeting of SECO/WARWICK S.A. and the Code of Best Practice for WSE-Listed Companies. The shareholders were afforded the opportunity to read draft resolutions for the General Meeting as these were published on the Company's website and in Current Report No. 18/2016 of May 24th 2016 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 Annual General Meeting adopted resolutions essential for proper operation of the Company, including a resolution on the approval of the Directors' Report on the Company's operations and the financial statements for the financial year 2015, allocation of profit for the financial year 2015, approval of the Directors' Report on the Group's operations and the consolidated financial statements of the SECO/WARWICK Group for the financial year 2015, and granting discharge in respect of performance of duties to members of the Company's governing bodies. The General Meeting also passed resolutions on: share cancellation, share capital reduction, and amendment of the Company's Articles of Association; adopting the consolidated text of the Company's Articles of Association; removal of Mr Gutmann Habig from his position of Member of the Supervisory Board; appointment of Mr Paweł Tamborski as Member of the Supervisory Board of the current term of office; approval of the new Rules of Procedure for the Supervisory Board of SECO/WARWICK S.A. and the new Rules of Procedure for the General Meeting of SECO/WARWICK S.A.

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.

In 2016, an Extraordinary General Meeting of SECO/WARWICK S.A. was held on December 2nd 2016. The Extraordinary General Meeting was convened at the request of the Management Board.

The General Meeting was held in accordance with the Commercial Companies Code, the Rules of Procedure for the General Meeting of SECO/WARWICK S.A. and the Code of Best Practice for WSE-Listed Companies. The shareholders were afforded the opportunity to read draft resolutions for the General Meeting as these were published on the Company's website and in Current Report No. 28/2016 of October 31st 2016 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 Extraordinary General Meeting passed resolutions material to the Company's operations, including a resolution to approve the plan to merge SECO/WARWICK Spółka Akcyjna and SECO/WARWICK Europe Spółka z ograniczoną odpowiedzialnością, and to merge the Company, as the Acquirer, and SECO/WARWICK Europe Spółka z ograniczoną odpowiedzialnością, as the Acquiree.

All resolutions adopted in 2016 by the General Meeting were aimed at serving the interest of the Company, with due consideration given to other stakeholders' rights. The 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

As at December 31st 2016, the Company's Management Board was composed of:

Paweł Wyrzykowski – President of the Management Board
Jarosław Talerzak – Vice President of the Management Board
Wojciech Peret – Member of the Management Board.

On December 30th 2016, Mr Jarosław Talerzak resigned as Vice President of the Management Board, with effect from January 2nd 2017.

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 property, perpetual usufruct right to or an interest in property, rests exclusively with the Management Board and requires approval by the General Meeting.

The Management Board is composed of 2 (two) to 5 (five) members appointed by the Supervisory Board, including 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). Assuming an

obligation or disposing of a right in excess of PLN 200,000.00 (two hundred thousand złoty) requires two Management Board members acting jointly or a Management Board member acting jointly with a commercial proxy authorised to act individually, or a Management Board member acting jointly with a commercial proxy holding joint powers of 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 is defined in the resolutions passed by the Company's Supervisory Board on January 12th 2012, December 13th 2012, December 5th 2013, and April 23rd 2015.

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 the period January 1st–June 24th 2016, the composition of the SECO/WARWICK 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
Marcin Murawski – Member of the Supervisory Board
Gutmann Habig – Member of the Supervisory Board

On June 24th 2016, the General Meeting of the Company removed Mr Gutmann Habig from his position of Member of the Supervisory Board and appointed Mr Paweł Tamborski to the Supervisory Board.

Mr Witold Klinowski tendered his resignation as member of the Supervisory Board, with effect from June 24th 2016.

In the period June 24th–December 31st 2016, the composition of the SECO/WARWICK Supervisory Board was as follows:

Andrzej Zawistowski – Chairman of the Supervisory Board
Henryk Pilarski – Deputy Chairman of the Supervisory Board
Jeffrey Boswell – Member of the Supervisory Board
James A.Goltz – Member of the Supervisory Board
Marcin Murawski – Member of the Supervisory Board
Paweł Tamborski – 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 2016, 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 five 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.

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 2016, members of the Supervisory Board informed the Company's Management Board of their acquisition or disposal of SECO/WARWICK S.A. shares.

In 2016, 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 assessments of the financial statements of SECO/WARWICK S.A. and the Group, as well as of the Directors' Reports on the Company's operations.

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 2016, an Audit Committee operated within the Supervisory Board, as the analytical and controlling body, according to the Rules of Procedure of the Supervisory Board and the guidelines set out in the Code of Best Practice for WSE Listed Companies. The Committee's responsibilities included:

1. monitoring of the financial reporting process;
2. monitoring of risk management systems used to control key risks to which the Company was exposed;
3. monitoring of the operating risks of the Group's foreign companies (India, China, Brazil, and the US);
4. monitoring of compliance with the auditor's recommendations;
5. review of information which concerns the Company and is intended for publication;
6. recommending auditor appointments; and
7. meeting with auditing firms.

In the period January 1st–June 24th 2016, the composition of the Audit Committee was as follows:

1. Marcin Murawski – Chairman of the Audit Committee
2. Witold Klinowski – Secretary of the Audit Committee
3. Henryk Pilarski – Member of the Audit Committee

In the period June 24th–December 31st 2016, the composition of the Audit Committee was as follows:

1. Marcin Murawski – Chairman of the Audit Committee
2. Henryk Pilarski – Secretary of the Audit Committee
3. Paweł Tamborski – Member of the Audit Committee

23. Court, arbitration and administrative proceedings

In 2016, 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 Company's business; description of development prospects for the Company'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 Company's market strategy

External factors:

SECO/WARWICK S.A. is not dependent on external factors to the same extent as the other Group companies as it does not provide services to customers outside the Group.

Internal factors:

The achievement of the financial targets set by SECO/WARWICK S.A. depends on its ability to retain highly-skilled professionals in managerial and specialist positions. In the sector where the Company 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 Company 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 Company's business.

Key objectives of the Group's new growth strategy until 2019:

the Management Board announces the decision not to pursue the financial objectives presented in 2012 (Current Report No. 28/2012 of October 23rd 2012) and updated in 2014 (Current Report No. 15/2014 of April 29th 2014). The period covered by the strategy has been changed to 2017–2021 and the strategy has been modified mainly where it refers to the Group's structure and organisation. The plan to pay 50% or more of the profits as dividend was maintained.

The following measures are envisaged to implement the modified strategy for 2017–2021:

- Merger of SW S.A. and SW EUROPE covering their production and distribution activities, organisation, management and legal status;
- Adapting the subsidiaries' structure and costs to the current sales capabilities;
- Implementation of a new approach to regional management at the Group, with three areas (Europe, Asia & Pacific and the Americas) distinguished for the purposes of business supervision:
- Continued development of structures, sale and servicing competencies and after-sales services at the subsidiaries;
- Implementing an integrated management support system (ERP);

- Standardising a part of the offering in terms of products, technologies and processes.

These measures are expected to facilitate the achievement of the following principal objectives:

a) Implementation of a sustainable growth concept, providing for the merger of SW S.A. and SW EUROPE to create a competence, production and sales centre integrating the teams of managers and engineers. In line with this concept, the subsidiaries will implement their individual strategies on their local markets with strict supervision and selective support from SW S.A.

The Management Board believes that the merger of SW S.A. and SW EUROPE will help to streamline management functions, optimise the asset base, and deliver tangible savings in general and administrative expenses.

b) Reaching the break-even point by all the subsidiaries as soon as possible.

All the subsidiaries are expected to modify their product and organisational structure to achieve this objective. In addition, the terms of technology transfer to the subsidiaries will be amended.

Successful implementation of the modified business strategy for 2017–2021 will enable the Group to be more effective in pursuing its business objectives thanks to cost savings and laying foundations for further economic growth.

25. Major achievements in research and development

In 2016, the Research and Development division of the SECO/WARWICK Group worked on the following projects:

In 2016, four applications (concerning three subjects) for grants for the following research and development projects were filed:

- “Compact, energy-saving and ecological system for plasma-refining and poly-crystallization of silicon for photovoltaic industry applications” – Plasma-SiRefiner. Institution: National Centre for Research and Development. 2014–2020 Smart Growth Operational Programme. Priority axis: support for R&D efforts in enterprises. Measure: R&D projects by enterprises. Sub-measure: R&D work related to the construction of a pilot/demonstration installation. No. of grant application: POIR.01.01.02-00-0067/16. Application filing date: February 29th 2016. No. of call: 2/1.1.2/2015. Application refused following assessment.
- “Compact, energy-saving and ecological system for plasma-refining and poly-crystallization of silicon for photovoltaic industry applications” – Plasma-SiRefiner. Institution: National Centre for Research and Development. 2014–2020 Smart Growth Operational Programme. Priority axis: support for R&D efforts in enterprises. Measure: R&D projects by enterprises. Sub-measure: industrial research and development work conducted by enterprises. No. of grant application: POIR.01.01.01-00-0661/16. Application filing date: October 31st 2016. No. of call: 2/1.1.1/2016. Application refused following assessment.
- “Development of a new generation of ZeroFlow Feedback Control technology-based nitriding furnaces”. Institution: National Centre for Research and Development. 2014–2020 Smart Growth Operational Programme. Priority axis: Increasing the research potential. Measure: Research and development. Sub-measure: Application projects. No. of grant application: POIR.04.01.04-00-0010/16. Application filing date: October 31st 2016. No. of call: 1/4.1.4/2016. Application under assessment.
- “Development of energy- and material-saving technology to manufacture high-strength tools for plastic working, with hard and abrasion-resistant top coat and nanocrystalline core” – Inno4Tools. Institution: National Centre for Research and Development. 1st competition as part of the “Modern Material Technologies”, a strategic scientific research and development programme – TECHMATSTRATEG. Date of application filing by the Warsaw University of Technology, the consortium leader: November 10th 2016. ID: 346892. Application under assessment.

The following final reports were prepared in 2016:

- Final report on tests and research concerning a three-chamber gas heated vacuum furnace. The research was carried out under the grant agreement for Project No. UDA-POIG.04.02.00-08-003/10-00 "Development and implementation of equipment to work using the FineCarb® technology with the support of the PreNitLPC® process". The project was implemented under the Innovative Economy operational programme run by the Polish Agency for Enterprise Development (PARP).
- Final report on tests and research concerning the possibility of producing nanostructures in a gas-cooled vacuum furnace. Project financed with the Group's own funds.
- Final report on tests and research concerning comparison of consumption of electricity and other utilities by vacuum furnaces with oil quench. The comparative study was carried out for a CMe vacuum furnace and an atmosphere furnace (AFS). Project financed with the Group's own funds.

The following projects were continued in 2016:

- UniCase Master® – work continued under the grant agreement for Project No. POIR.04.01.04-00-0087/15 "A system for highly efficient and precise heat treatment, with reduction of hardening distortion, for direct application in the straight-line production of parts of gears and bearings." Project implemented under the Smart Growth Operational Programme 2014-2020. Institution: National Centre for Research and Development (NCBiR). Priority axis: Increasing the research potential. Measure: Research and development. Sub-measure: Application projects.
- ZeroFlow® Nitriding Database – entering new process data into an intranet database.
- SeCoil® Coil Temperature Control System – development of a new algorithm and solver in cooperation with Technische Universität Bergakademie Freiberg. Project financed with the Group's own funds.
- PIT Vacuum Furnace with filamentary insulation and metal-lined work chamber – investigation into the impact of process gases (acetylene) on the operating life of the heating elements and the insulation. Project financed with the Group's own funds.
- Further development of the FineCarb® and PreNitLPC® vacuum carburising technologies and improvement of the expert system for the design, simulation and optimisation of processes. Project financed with the Group's own funds under a collaboration agreement with the Łódź University of Technology.
- Development of the vacuum nitrocarburizing technology. Project financed with the Group's own funds.

In 2016, the Group took steps to actively promote its technological and engineering achievements at international seminars, conferences and industry fairs. Articles and presentations were prepared.

The Group successfully organised the 19th 'Modern trends in heat treatment' seminar, which is an annual industry event in Poland. The seminar was held in the Mierzęcín Palace in Poland, on September 14th and 15th 2016. The event was attended by some 130 guests, including customers and trade and research partners. The participants gave thirteen thematic lectures. The participants praised the seminar for its high quality, both in terms of content and organisation.

26. Environmental matters

In 2016, SECO/WARWICK S.A. used natural resources in the course of its service activities in accordance with applicable laws and was charged with no penalties.

The Company holds all relevant permits for waste generation and release of gas and dust into the air. The permits expire on November 28th 2021. 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 (such companies hold relevant permits).

The summary of information on the scope of use of the natural environment was submitted to the Marshall Office of the Province of Zielona Góra/Gorzów Wielkopolski by the prescribed date. The Company was exempt from charges for the economic use of the environment under Art. 289.1 of the Environmental Protection Law of April 27th 2001.

27. Workforce

In 2016, the average workforce at SECO/WARWICK S.A. was 20 FTEs, having decreased from 21 FTEs in 2015.

For more information on the workforce of SECO/WARWICK S.A., see Note 31 to the Separate Financial Statements of SECO/WARWICK S.A.

28. Events with a material bearing on the Company's business which occurred in the financial year or in the period from the end of the financial year to the date of approval of the financial statements

Events with a material bearing on the Company's business which occurred in the financial year are discussed in detail in Section 13 of this Report.

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

In Current Report No. 1/2017, referring to Current Report No. 26/2016 of October 31st 2016, the Management Board of SECO/WARWICK S.A. announced that on January 2nd 2017 the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, registered the merger of the Company with its subsidiary, SECO/WARWICK EUROPE sp. z o.o. of Świebodzin.

The merger was effected pursuant to Art. 492.1.1 of the Commercial Companies Code, i.e. through the transfer of all assets of SECO/WARWICK EUROPE Sp. z o.o. to SECO/WARWICK S.A. by way of universal succession. As a result of the merger, SECO/WARWICK S.A., as the acquirer, assumed all the rights and obligations of SECO/WARWICK EUROPE Sp. z o.o., which was dissolved without liquidation proceedings, as of the date of its deletion from the register.

As SECO/WARWICK S.A. was the sole owner of SECO/WARWICK EUROPE sp. z o.o., the merger was effected under Art. 515.1 of the Commercial Companies Code, i.e. without a share capital increase at SECO/WARWICK S.A.

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

29. 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 full-year 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**

On April 28th 2016, the Supervisory Board of the Company, acting under Art. 29.1.6 of the Articles of Association, which authorises it to select the Company's auditor, passed Resolution No. 12/2016 under which Ernst & Young Audyt Polska Sp. z o.o. Sp. K. of Warsaw, Rondo ONZ 1, Warsaw, Poland, audited the full-year

separate financial statements of SECO/WARWICK S.A. and the consolidated financial statements of the SECO/WARWICK Group for 2016.

The Supervisory Board, acting under Art. 29.1.6 of the Articles of Association, which authorises it to select the Company's auditor, passed Resolution No. 12/2016, under which Ernst & Young Audyt Polska Sp. z o.o. Sp. K. of Warsaw, Rondo ONZ 1, Warsaw, Poland, reviewed the half-year separate financial statements of SECO/WARWICK S.A. and the half-year consolidated financial statements of the SECO/WARWICK Group for H1 2016.

The agreement with the auditor was executed on July 15th 2016. Ernst & Young Audyt Polska Sp. z o.o. Sp. K. of Warsaw, Rondo ONZ 1, Warsaw, Poland, is entered in the list of qualified auditors of financial statements maintained by the National Council of Statutory Auditors under Reg. No. 130.

The table below presents the total remuneration of the auditor for 2016 and 2015.

Table: Total remuneration of the auditor for 2016 and 2015

Service	Remuneration for 2016 (PLN '000)	Remuneration for 2015 (PLN '000) ⁽¹⁾
Audit of full-year financial statements	101	51
Other assurance services, including a review of financial statements	67	68
Other services	4	43
Total	173	162

⁽¹⁾ In 2015, the entity responsible for the review and audit of the financial statements was Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. of Warsaw.

Date: April 27th 2017

Paweł Wyrzykowski

*President of the
Management Board*

Wojciech Peret

*Member of the
Management Board*

Sławomir Woźniak

*Member of the
Management Board*

Bartosz Klinowski

*Member of the
Management Board*