



SECO/WARWICK
www.secowarwick.com

DIRECTORS' REPORT

DECEMBER 31ST 2017

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 2017, 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 2017 and the comparative period January 1st–December 31st 2016.

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 business consists in the manufacture of products in the following five main groups:

- Vacuum Furnaces
- aluminium heat treatment systems (Aluminium Process+ Controlled Atmosphere Brazing),
- Atmosphere Furnaces (Thermal)
- Melting Furnaces
- Aftersales

In 2017, the Controlled Atmosphere Brazing segment was combined with the Aluminum Process segment. In these financial statements both segments were presented as if they were combined also in the period from January 1st to December 31st 2016.

Information on particular operating segments is presented in the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the 12 months ended December 31st 2017).

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: Composition of the SECO/WARWICK Group as at December 31st 2017 is presented below:

Company	Registered office	Principal business activity	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. Manufacture of equipment for metal heat treatment.	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of equipment for metal heat treatment	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 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 equipment for metal heat treatment	Full	93%
Retech Tianjin Holdings LLC	(USA)	Holding company	Full	80%
SECO/WARWICK Allied Pvt. Ltd.	Mumbai (India)	Manufacture of equipment for metal heat treatment	Full	98%
ALLIED FURNACES PVT. LTD.	Mumbai (India)	Manufacture of equipment for metal heat treatment	Full	98%
ACE THERMAL TECHNOLOGIES PRIVATE LIMITED	Mumbai (India)	Manufacture of equipment for metal heat treatment	Full	98%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces and spare parts manufactured by SECO/WARWICK S.A., and provision of technical support services 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 S.A.

Directors' Report on the Company operations for the year ended December 31st 2017

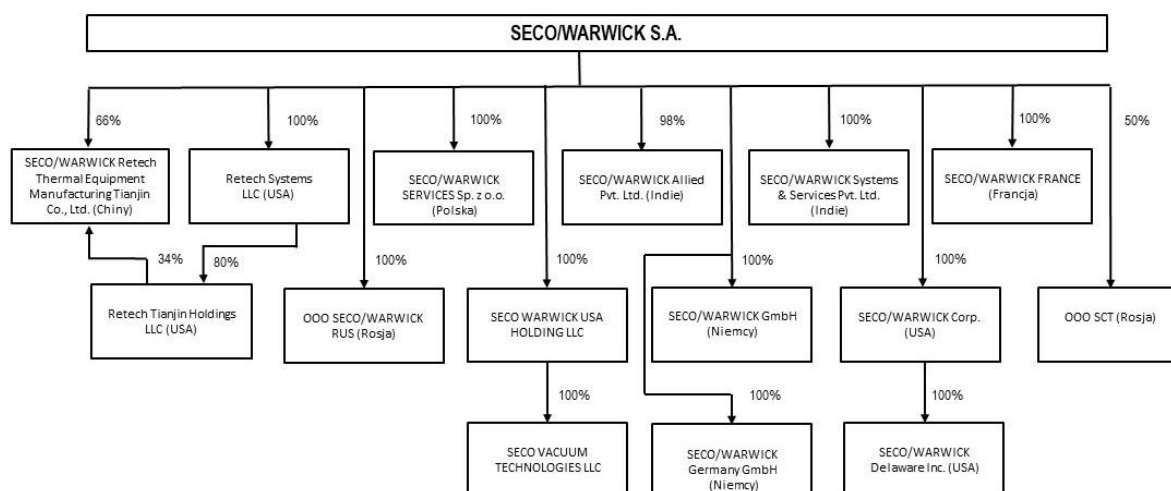
SECO/WARWICK France	Roissy-en-Brie (France)	Commercial and technical representation of SECO/WARWICK S.A. in France, French-speaking countries and their neighbouring countries	Full	100%
SECO/WARWICK Services Sp. z o.o.	Świebodzin	Repair and maintenance services	Full	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company	Full	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces	Full	100%
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services	Full	100%

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

In January 2017, the following companies merged: SECO / WARWICK S.A., which since 2013 has been operating as a holding company of the S / W Group and the production company SECO / WARWICK EUROPE Sp. z o.o. The merger took place through the transfer of all assets of SECO / WARWICK EUROPE Sp. z o.o. SECO / WARWICK S.A. took over all rights and obligations of SECO / WARWICK EUROPE Sp. z o.o. and this has been resolved.

On May 24th 2017, SECO/WARWICK Systems and Services India PVT. Ltd. of Mumbai, India was registered. It is wholly-owned by SECO/WARWICK S.A. and its principal business activity comprises sale of products and provision of repair and maintenance services.

Structure of the Group as at December 31st 2017



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

There were no changes in the composition of the SECO/WARWICK Group between December 31st 2017 and the date of issue of this Report.

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 of 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 2017 (PLN '000)

Name and surname	Remuneration
Paweł Wyrzykowski	1,787
Sławomir Woźniak	523
Bartosz Klinowski	475
Wojciech Peret (1)	412
Total	3,197

(1) Remuneration of Mr. Wojciech Peret for the period 01.01.2017 – 31.08.2017 in connection with the performance of the function in the Management Board of the Company

SUPERVISORY BOARD

Members of the Supervisory Board are entitled to a monthly remuneration in the amount determined by the General Meeting, paid by the fifteenth 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 member of the Supervisory Board. Supervisory Board members are not entitled to severance pay.

Table: Remuneration of members of the SECO/WARWICK S.A. Supervisory Board for 2017 (PLN '000)

Name and surname	Remuneration
Andrzej Zawistowski, including:	205
- for his service as Chairman of the Supervisory Board	120
- under contract for advisory services ⁽¹⁾	85
Jeffrey Boswell, including:	151
- for his service as Member of the Supervisory Board	-

- under employment contract ⁽²⁾	151
James A. Goltz, including:	379
- for his service as Member of the Supervisory Board	-
- under employment contract ⁽³⁾	379
Henryk Pilarski	54
Marcin Murawski	43
Paweł Tamborski	42
Total	874

(1) Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as 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 Retch Systems LLC and Mr James A. Goltz.

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 due to 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

As of 31/12/2017:

	Jan 1 2017				Dec 31 2017			
	Number of S/W shares held	Ownership interest	% of total voting rights	Decrease/increase	Number of S/W shares held	Ownership interest	% of total voting rights	Total par value of shares (PLN)
Management Board								
Paweł Wyrzykowski	254,558	2.47%	2.47%	-	254,558	2.47%	2.47%	50,912
Sławomir Woźniak	20,246	0.20%	0.20%	-	20,246	0.20%	0.20%	4,049
Bartosz Klinowski	50,335	0.49%	0.49%	-	50,335	0.49%	0.49%	10,067
Supervisory Board								
Andrzej Zawistowski	65,000	0.63%	0.63%	-	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
James A. Goltz	-	-	-	-	-	-	-	-
Marcin Murawski	-	-	-	-	-	-	-	-
Paweł Tamborski	-	-	-	-	-	-	-	-
Commercial proxies								
Piotr Walasek	19,335	0.19%	0.19%	-	19,335	0.19%	0.19%	3,867
Total	419,260	4.07%	4.07%	0	419,260	4.07%	4.07%	83,852

As at the date of publication of this report:

	Dec 31 2017				Apr 26 2018			
	Number of S/W shares held	Ownership interest	% of total voting rights	Decrease/increase	Number of S/W shares held	Ownership interest	% of total voting rights	Total par value of shares (PLN)
Management Board								
Paweł Wyrzykowski	254,558	2.47%	2.47%	-	254,558	2.47%	2.47%	50,912
Sławomir Woźniak	20,246	0.20%	0.20%	-	20,246	0.20%	0.20%	4,049
Bartosz Klinowski	50,335	0.49%	0.49%	-	50,335	0.49%	0.49%	10,067
Supervisory Board								
Andrzej Zawistowski	65,000	0.63%	0.63%	-	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
Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
Commercial proxies								
Piotr Walasek	19,335	0.19%	0.19%	-	19,335	0.19%	0.19%	3,867
Total	419,260	4.07%	4.07%	0	419,260	4.07%	4.07%	83,852

Mr. Paweł Tamborski resigned from the position of Member of the Supervisory Board on February 16, 2018. On April 11, 2018, Mr. James A. Goltz by resolution No. 10 of the Extraordinary General Meeting of SECO / WARWICK S.A. was dismissed from the function of a member of the Supervisory Board and Mr. Jacek Tucharz by resolution No. 18 of the Extraordinary General Meeting of SECO / WARWICK S.A. he was appointed to act as a member of the Supervisory Board.

Item	Jan 1 2017	Item	Dec 31 2017
Number of shares	10,298,554	Number of shares	10,298,554
Par value per share	0.20	Par value per share	0.20

Share capital	2,059,710.80	Share capital	2,059,710.80
----------------------	--------------	----------------------	--------------

In Current Report No. 16/2017, the Management Board of SECO WARWICK S.A. announced that on June 30th 2017 it received notifications, made pursuant to Art. 19.3 of the MAR, of the acceptance of SECO/WARWICK S.A. stock options by the following persons discharging managerial responsibilities:

- Paweł Wyrzykowski, President of the Management Board,
- Bartosz Klinowski, Member of the Management Board,
- Sławomir Woźniak, Member of the Management Board,
- Piotr Walasek, Chief Financial Officer / Commercial Proxy.

Until the date of issue 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.

I. The incentive scheme of April 23rd 2015 for the years 2016-2018

With a view to providing additional incentives to the 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”).

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. 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, this objective is set at PLN 18m.

On April 27th 2017, having examined the Company's and the Group’s audited financial information for 2016, the Supervisory Board passed a resolution to review the Individual Objectives and the Joint Objective defined in the Rules of the Incentive Scheme, relating to the achievement of specific operating and financial metrics for 2016.

Following the review, the Supervisory Board granted the eligible participants of the Incentive Scheme 81,657 share options, conferring the rights to acquire 81,657 Company shares at a price of PLN 0.20 per share. Of that number, 73,393 share options were granted to the Management Board members and the commercial proxy.

II. Termination of the Incentive Scheme

On March 14th 2018, the Supervisory Board passed a resolution to terminate the 2016–2018 Incentive Scheme (the “Resolution”) adopted pursuant to Resolution No. 9 of the Supervisory Board of April 23rd 2015.

Pursuant to the Resolution, the Incentive Scheme had to be terminated in its entirety due to material distortion of the Company’s financial result for the financial year 2017 caused mainly by significant one-off events at the Group with an adverse effect on the Group’s financial performance in 2017, which rendered the original assumptions of the Incentive Scheme inadequate.

The Resolution also defined the terms and conditions on which the terminated Incentive Scheme would be settled:

1. The Company will conclude with nine beneficiaries of the terminated Incentive Scheme (the “Beneficiaries”) agreements (the “Agreements”) under which a total of 102,166 Company shares will be issued to the Beneficiaries free of charge. The Beneficiaries will also be paid compensation bonuses in a total amount of PLN 389.6 thousand;

2. Under the Agreements, the Beneficiaries will waive any claims against the Company related to the Incentive Scheme or its termination.

III. Adoption of the 2018–2020 Incentive Scheme for members of the SECO/WARWICK Group’s management staff

On April 11th 2018, an Extraordinary General Meeting of SECO/WARWICK S.A. passed Resolution No. 20 to approve the 2018–2020 Incentive Scheme, approve the Rules of the Incentive Scheme, and allocate the Company’s treasury shares for the purposes of the Incentive Scheme. The Meeting also passed Resolution No. 21 approving the list of participants of the 2018–2020 Incentive Scheme. The above information was published in Current Report No. 09/2018 of April 11th 2018.

8. Control systems for employee stock option plans

The Scheme for years 2016-2018 and 2018-2020 are overseen by the Supervisory Board and the Management Board of SECO/WARWICK S.A.

9. Share buybacks

In 2017, 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

In January 2017, the following companies were merged: SECO/WARWICK S.A., which had operated as the S/W Group’s holding company since 2013, and production company SECO/WARWICK EUROPE Sp. z o.o. The merger was effected through the transfer of all assets of SECO/WARWICK EUROPE Sp. z o.o. SECO/WARWICK S.A. assumed all the rights and obligations of SECO/WARWICK EUROPE Sp. z o.o., which was dissolved.

Following the merger, SECO/WARWICK S.A.’s primary source of revenue in 2017 was the manufacture of industrial furnaces for metal heat treatment and not, as before, the provision of services to the Group companies covered by a CSA agreement (Management Services Agreement) and licensing fees (License Agreement). Commencement of production operations by the Company led to a significant increase in sales revenue: PLN 264.3m in 2017 vs PLN 11.4m in 2016.

At the same time, despite a significant appreciation of the Polish zloty against the Company’s main contract currencies, i.e. EUR and USD, the Company was able to deliver PLN 16.5m in net profit. The net margin is 6.2%. In 2016, the Company reported a loss of PLN 2.0m and its net margin was negative at 17.5%.

In 2017, the ROE ratio was 11.9% (2016: -1.8%).

STATEMENT OF FINANCIAL POSITION

Given the nature of the Company’s business in 2016, the interpretation of some of the ratios for 2017 and their movements relative to the previous year could be different than in previous years.

As at the end of 2017, the Company’s non-current to current assets ratio was 0.9 (2016: 13.3). The change is attributable to an increase in current assets, in particular assets related to running contracts, trade receivables and inventories, whose value in 2016 was significantly lower as the Company was not engaged in any production operations. The value of the ratio should be deemed normal considering the Company’s current

business profile – the Company's non-current assets include property, plant and equipment as well as equity interests in other Group companies. Higher asset mobility allows greater flexibility in changing and adapting the Company's business.

The equity to liabilities ratio was 0.9 in 2017 (2016: 3.4) The change was brought about by the change in the scope of the Company's business and commencement of production operations. Higher current asset requirement leads to an increase in the Company's debt. In 2017, the Company recorded an equity financing of non-current assets ratio of 1.0, slightly above the 2016 value of 0.8.

In 2017, the current and quick ratios were at model values of 1.2 and 1.0, respectively (2016: both ratios were 0.8), while the cash ratio (cash to current liabilities) was 0.2 (0.1 in 2016), also close to the model value.

The Company's debt ratios changed significantly in 2017: total debt ratio (total liabilities to total assets) rose to 53% in 2017 (2016: 23%). Long-term debt ratio (total non-current liabilities to equity) declined to 15% in 2017 (2016: 18%), on the back of an increase in current liabilities (related in particular to the settlement of long-term contracts and trade payables) compared with the growth rate of the Company's assets.

Presented below are the Company's selected efficiency indicators:

- the average collection period shortened markedly, from 384 days in 2016 to 45 days in 2017, and does not materially differ from the duration prevailing in the sector.

- the average payment period also shortened, from 527 days in 2016 to 148 days in 2017.

The asset turnover ratio and current asset turnover ratio stood at 1.2 and 2.6, respectively, in 2017, showing an improvement on the previous year, when they reached 0.2 and 0.6, respectively. This change is mainly attributable to the change in the Company's business profile. The value of those ratios should be 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

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

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

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

- the EU market,
- the Russian, Belarusian and Ukrainian markets,
- the US market,
- the Asian market,
- other countries.

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

Poland is the largest market supplying production materials for the SECO/WARWICK Group. It is followed by the EU (with Germany as the largest supplier). The US market is the third largest supply market for the Group in terms of both importance and volume.

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

With a broad supplier base and access to numerous markets, the Group does not depend on any single supplier (there is no single supplier whose sales to the Group would account for more than 10% of the Group's total revenue) and is able to ensure uninterrupted production of heat treatment equipment.

Customers buying the Group's products operate in the automotive, aviation, power, machine-tool, medical equipment, electrical engineering and machine-building industries. The economic situation on those markets affects the situation of many other associated markets. The Group supplies its products both to manufacturers from the abovementioned industries and to their suppliers. The Group's customers include both automotive and aircraft manufacturers as well as producers of components and spare parts. The machine-building industry, understood as a group of customers purchasing the Group's products, encompasses a wide variety of business activities driven by GDP growth.

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:

- SW Holding sp. z o.o. ("SWH"), holding 3,387,139 Company shares,
- Spruce Holding LLC ("SHLLC"), holding 1,123,337 Company shares,
- Paweł Wyrzykowski ("PW"), holding 255,000 Company shares,
- Andrzej Zawistowski ("AZ"), holding 65,000 Company shares,
- 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:

- 3,387,139 Company shares held by SWH,
- 1,123,337 Company shares held by SHLLC,
- 255,000 Company shares held by PW,
- 65,000 Company shares held by AZ, and
- 35,000 Company shares held by BK.

The lock-up restrictions 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 2017, SECO/WARWICK S.A. did not enter into any significant insurance, partnership or cooperation agreements. Likewise, SECO/WARWICK S.A. has no knowledge of any other significant shareholder agreements.

14. Related-party transactions concluded by SECO/WARWICK S.A. or its subsidiaries other than arm's length transactions

In 2017, 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 bank and other borrowings 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 2017

Lender	Borrowing amount		Repayment date	Security	Interest rate	Type
	PLN ('000)	Currency ('000)				
mBANK S.A.	14,205	-	Jan 31 2020	mortgage, hold on securities account	variable	Investment facility
BANK HANDLOWY	1,093	314 USD	Apr 27 2018	mortgage up to USD 3,750 thousand	variable	Investment facility
mBank – credit card limit	57	-			variable	Credit card limit
mBank – credit card limit	24	7 USD			variable	Credit card limit
mBank – credit card limit	153	37 EUR			variable	Credit card limit
BZ WBK – overdraft facility	16,846	-	30.06.2018	promissory note	variable	Overdraft facility
Raiffeisen – overdraft facility	15,006	-	Aug 31 2018	promissory note	variable	Overdraft facility
CITI – overdraft facility	5,121	-	May 4 2018	promissory note	variable	Overdraft facility
PEKAO – overdraft facility	18,334	-	Sep 8 2018	promissory note	variable	Overdraft facility
Total	70,837	x				

For more detailed information on SECO/WARWICK S.A.'s liabilities under bank loans see Note 20 to the Separate Financial Statements of SECO/WARWICK S.A. At the end of 2017, SECO/WARWICK S.A. did not have

any liabilities under non-bank borrowings. In 2017, 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 were PLN 110,167 thousand as at the end of 2017, and PLN 14,443 thousand as at the end of 2016. The guarantees were issued in respect of:

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

Table: Sureties granted by SECO/WARWICK S.A.

Company	Bank	Surety in respect of	Currency	Dec 31 2017	Amount (PLN)
RETECH Systems (1)	HSBC BANK USA	Guarantee and credit facility	USD	4,500	15,666
RETECH Systems (1)	HSBC BANK USA	Guarantee and credit facility	USD	4,500	15,666
S/W Retech(2)	HSBC BANK USA	Guarantee and credit facility	USD	2,750	9,574
PEKAO LEASING SP. Z O.O.	PEKAO LEASING SP. Z O.O.	Repurchase guarantee	PLN	1,128	1,128
SECO/WARWICK SERVICES	BZ WBK	Revolving loan	PLN	2000	2,000
TOTAL					44,033

(1) As at December 31, 2017, Retech Systems does not use surety limits on guarantees and loans.

(2) As at 31 December 2017, S/W Retech used USD 905 thousand of the granted guarantee and credit limits.

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

On February 22nd 2017, SECO/WARWICK S.A. granted a PLN 1m loan to SECO/WARWICK Services Sp. z o.o., a subsidiary, with an interest rate of 3% per annum, for the repayment period until December 2018.

No loans were advanced by SECO/WARWICK S.A. to members of the Management or the Supervisory Board, or any non-related parties in 2017.

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 2017, the Company repaid its liabilities under the credit facilities contracted to finance operating and investing activities in a timely manner.

As at December 31st 2017, debt outstanding under investment and overdraft facilities amounted to PLN 15,298 thousand and PLN 55,540 thousand, respectively. As at December 31st 2016, debt outstanding under the investment facility was PLN 24,478 thousand. As at the same date, the Company had no overdraft debt outstanding.

The current and quick ratios were at 1.2 and 1.0, respectively, while the cash ratio (cash to current liabilities) was 0.2. All these figures are close to the model value. The main factor behind the year-to-year improvements in the liquidity ratios in 2017 was the recognition of assets under long-term contracts and an increase in inventories and trade receivables. In 2016, their amount was significantly lower.

The funds and credit facilities available to the Company were sufficient to finance investments and capital expenditure planned for and executed in 2017.

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 2017	Dec 31 2016
Current ratio	1.2	0.8
Quick ratio	1.0	0.8
Cash ratio	0.2	0.1

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

No such events occurred in 2017.

20. Explanation of discrepancies between the financial results disclosed in the full-year 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 results in 2017.

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

As part of its operating and financing activities, the Company is exposed to risks related primarily to its financial instruments. Those risks may be broadly defined as market risk, and comprises currency risk, interest rate risk, liquidity risk and credit risk. The Company manages financial risks in order to limit the adverse impact of changes in foreign exchange rates and interest rates, as well as to stabilise cash flows and ensure an appropriate level of financial liquidity and flexibility. The Group's financial risk management policies are determined by the Management Board of the Parent. As part of the risk management process, an expert system for management accounting was developed and implemented. The key parameters of operational and financial risks are monitored on the basis of monthly reports prepared by the Group companies.

21.1 Currency risk

Its active international presence and a broad geographical reach require the Company to enter into transactions denominated in foreign currencies. The Company also has loans and other financial liabilities denominated in foreign currencies. This exposes the Group to the risk of exchange rate fluctuations.

Financial assets and liabilities denominated in foreign currencies and translated into PLN at the closing rate effective as at the reporting date are presented below:

Liabilities	As at	As at	As at	As at
	Dec 31 2017	Dec 31 2017	Dec 31 2016	Dec 31 2016
	in foreign currency	in PLN	in foreign currency	in PLN
EUR	2,716	11,328	8	36
USD	1,431	4,982	967	4,041

Assets	As at	As at	As at	As at
	Dec 31 2017	Dec 31 2017	Dec 31 2016	Dec 31 2016
	in foreign currency	in PLN	in foreign currency	in PLN
EUR	12,218	50,960	232	1,025
USD	2,522	8,781	731	3,057

Denomination of the hedging instrument				
	As at	As at	As at	As at
	Dec 31 2017	Dec 31 2017	Dec 31 2016	Dec 31 2016
	in foreign currency	in PLN	in foreign currency	in PLN
EUR	23,211	96,811	-	-
USD	11,614	40,432	-	-

21.1.1 Sensitivity to currency risk

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 rates on the Company's profit or loss and other comprehensive income.

Exchange rate at Dec 31 2017	Exchange rate	+ 10% increase in exchange rate	decrease in exchange rate -10%
USD	4.1709	0,417	-0,417
EUR	3.4813	0,348	-0,348

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	-0,442

Assumptions:

- exchange rate at reporting date Dec 31 2017
- + 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
		Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
ASSETS					
Increase in rate	10%	878	306	5,096	103
Decrease in rate	-10%	-878	-306	-5,096	-103
LIABILITIES AND BANK LOANS					
Increase in rate	10%	-498	-404	-1,133	-3.6
Decrease in rate	-10%	498	404	1,133	3.6
TOTAL					
Increase in rate	10%	380	-98	3,963	99
Decrease in rate	-10%	-380	98	-3,963	-99

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
ASSETS					
Increase in rate	10%	878	306	5,096	103
Decrease in rate	-10%	-878	-306	-5,096	-103
LIABILITIES AND BANK LOANS					
Increase in rate	10%	-498	-404	-1,133	-3.6
Decrease in rate	-10%	498	404	1,133	3.6
TOTAL					
Increase in rate	10%	380	-98	3,963	99
Decrease in rate	-10%	-380	98	-3,963	-99

Exposure to currency risk changes during the year depending on the volume of transactions carried out in foreign currencies. However, the 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 2017, the total amount of interest on the Company's liabilities was PLN 2,063 thousand. The risk is estimated on the basis of interest rate increase/decrease by 1%.

	Effect on net profit/loss	Effect on equity	Effect on pre-tax profit/loss	Effect on equity
	+ 1%/- 1%		+ 1%/- 1%	
	Year ended Dec 31 2017		Year ended Dec 31 2016	
Lease liabilities	+/- 41	+/- 41	+/- 3	+/- 3
Other financial liabilities at amortised cost	+/- 708	+/- 708	+/- 245	+/- 245

21.3 Capital management

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

The Company manages its capital structure and modifies it in response to changes in the economic environment. In order to maintain or adjust the capital structure, the Company may change dividend payments, return capital to shareholders or issue new shares. In the year ended December 31st 2017, no changes were introduced to the objectives, principles and processes applicable in this area.

The Company monitors its equity using a gearing ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Company's net debt includes interest-bearing borrowings 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:

	As at Dec 31 2017	As at Dec 31 2016
	PLN '000	PLN '000
Debt	74,906	24,784
Cash and cash equivalents	-30,913	-1,368
Net debt	43,994	23,415
Equity	167,629	108,576
Net debt to equity	26.24%	21.57%

21.4 Liquidity risk

Liquidity risk is the risk that the Group may face difficulties in meeting financial liabilities. The liquidity risk management process at the company involves forecasting future cash flows, analysing the level of liquid assets in relation to cash flows, monitoring the liquidity ratios based on balance sheet items and maintaining access to various sources of financing.

The Company also manages liquidity risk by maintaining open and unused credit facilities which serve as a liquidity reserve and secure solvency and financial flexibility. The Company recognises bank loans as financial instruments which may potentially cause concentration of liquidity risk as the Company maintains relationships with selected financial institutions only. As at December 31st 2017, short-term bank loans represented 39% of total current liabilities (December 31st 2016: 69%)

The table below presents the Company's financial liabilities by maturity as at December 31st 2017 and December 31st 2016, based on contractual undiscounted payments.

Dec 31 2017	Payable on demand	Up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2017
Interest-bearing borrowings	-	62,953	7,885	-	70,837
Trade payables	-	28,518	-	-	28,518
Other liabilities	-	10,910	3,030	-	13,940
TOTAL	-	102,381	10,915	-	113,295

Dec 31 2016	Payable on demand	Up to 1 year	1–5 years	Over 5 years	Total Dec 31 2016
Interest-bearing 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

21.5 Credit risk

The Company operates a policy of selling its products and services only to customers whose credibility has been verified. The management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables. There are no overdue receivables that are not deemed irrecoverable.

The Company defines its exposure to credit risk as the total amount of outstanding receivables and monitors the balances owed by each customer on a regular basis. As at December 31st 2017, the share of receivables from one of the customers represented between 10% and 15% of total net trade receivables.

The age structure of receivables is presented in Note 16 to the consolidated financial statements.

The Company manages counterparty credit risk mainly by applying the following mechanisms and techniques:

- assessment of a counterparty's financial standing, and use of credit limits;
- application of uniform contractual provisions regarding credit risk;
- ongoing monitoring of payments;
- ongoing monitoring of a counterparty's financial standing.

22. Statement of compliance with corporate governance principles by SECO/WARWICK S.A. in 2017

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 2016 implemented under Resolution No. 26/1413/2015 passed by the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (WSE) on October 13th 2015.

The Code is available at www.corp-gov.gpw.pl and 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 2017, acting under Par. 29.3 of the WSE Rules, the Company submitted a report on the Company's compliance with the recommendations and principles laid down in the Code of Best Practice for GPW Listed Companies 2016. The report is available at www.secowarwick.com.

According to the report, SECO/WARWICK S.A. did not comply with the following principles and recommendations:

- **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 relevant internal systems appropriate for the type and scale 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.
 - o 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.
 - o 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.
 - o 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 features 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 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**

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.

- **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.

- **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.

- **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.

- **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 voting rights in the Company as at December 31st 2017 and as at the date of release of this Report:

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	34.92%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	11.58%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,046,573	10.16%	1,046,573	10.79%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.57%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	6.19%
Metlife OFE	577,470	5.61%	577,470	5.95%

The data 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 2017 report to the date of issue of the full-year report for 2017, there were no changes in major holdings of SECO/WARWICK S.A. shares.

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

SECO/WARWICK S.A. 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 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:

- SW Holding sp. z o.o. ("SWH"), holding 3,387,139 Company shares,
- Spruce Holding LLC ("SHLLC"), holding 1,123,337 Company shares,
- Paweł Wyrzykowski ("PW"), holding 255,000 Company shares,
- Andrzej Zawistowski ("AZ"), holding 65,000 Company shares,
- 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:

- 3,387,139 Company shares held by SWH,
- 1,123,337 Company shares held by SHLLC,
- 255,000 Company shares held by PW,
- 65,000 Company shares held by AZ, and
- 35,000 Company shares held by BK.

The lock-up restrictions 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. 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 zloty) 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 Company'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 2017, the Annual General Meeting of SECO/WARWICK S.A., formally convened, was held on May 26th 2017. The General Meeting was convened at the request of the Management Board. No requests to convene a General Meeting were submitted by shareholders in 2017.

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. 09/2017 of April 27th 2017 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 2016, allocation of profit for the financial year 2016, approval of the Directors' Report on the Group's operations and the consolidated financial statements of the SECO/WARWICK Group for the financial year 2016, and granting discharge in respect of performance of duties to members of the Company's governing bodies.

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

All resolutions adopted in 2017 by the General Meeting are 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 2017, the Company's Management Board was composed of:

Paweł Wyrzykowski – President of the Management Board
Bartosz Klinowski – Member of the Management Board
Sławomir Woźniak – Member of the Management Board.

On August 31st 2017, Mr Wojciech Peret resigned as Member of the Management Board with immediate effect.

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–December 31st 2017, 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.

As at the date of publication of this report, 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
Marcin Murawski – Member of the Supervisory Board
Jacek Tucharz – Member of the Supervisory Board.

Mr. Paweł Tamborski resigned from the position of Member of the Supervisory Board on February 16, 2018. On April 11, 2018, Mr. James A. Goltz by resolution No. 10 of the Extraordinary General Meeting of SECO / WARWICK S.A. was dismissed from the function of a member of the Supervisory Board and Mr. Jacek Tucharz by resolution No. 18 of the Extraordinary General Meeting of SECO / WARWICK S.A. he was appointed to act as a 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 2017, 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 2017, the Supervisory Board focused primarily on the matters significant 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 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, assessment of the Company's fulfilment of disclosure requirements, assessment of the reasonableness of the Company's policy for sponsorship and charitable activities, 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 2017, 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 GPW 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–December 31st 2017, 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.

I. The statement on non-financial information

Pursuant to Article 49b para. 9 of the Accounting Act, the Parent Entity of the Group prepared a separate report on non-financial information, posted on the company's website at the date of publication of the annual report.

23. Court, arbitration and administrative proceedings

In 2017, 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:

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

Internal factors:

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

Key objectives of the Group's new development strategy for 2017–2021:

In Current Report No. 26/2016 of October 31st 2016, the Management Board of SECO/WARWICK S.A. announced 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). At the same time, the period covered by the strategy was changed to 2017–2021 and the strategy was modified mainly where it referred 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 proposed 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,

- Adaptation of 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, sales and servicing competencies and aftersales services at the subsidiaries,
- Implementation of an integrated management support system (ERP),
- Standardisation of 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:

- 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 management and engineering staff. 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.
- Reaching the break-even point by all the subsidiaries as soon as possible.

It is expected that all the subsidiaries will modify their product and organisational structure to achieve this objective. In addition, the rules of technology transfer to the subsidiaries will be changed.

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 creating foundations for further economic growth.

25. Major R&D achievements

In 2017, the Research and Development division of the SECO/WARWICK Group worked on the following projects:

In 2017, an agreement was signed for co-financing of the following research and development projects:

- “Development of a new generation of ZeroFlow Feedback Control technology-based nitriding furnaces”. Intermediary 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. A co-financing agreement concluded in Warsaw on September 11th 2017 between the National Centre for Research and Development and SECO/WARWICK S.A. The project is implemented by a consortium comprising SECO/WARWICK S.A. and the Poznań University of Technology. Amount of eligible expenditure: PLN 8,880,358.50. Grant amount: PLN 6,445,202.40.

In 2017, three applications (three separate research themes) for grants for the following research and development projects were filed:

- “Stand-alone system for the monitoring and processing of operating parameters of a soaking furnace for the purposes of Industry 4.0 in low pressure carburising processes” – DeepCaseMaster Evolution 4.0. Intermediary 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: Regional scientific and research agendas. No. of grant application: POIR.04.01.02-00-0064/17. Application filing date: February 29th 2016. No. of call: 2/1.1.2/2015. A grant has been received for the project. Amount of eligible expenditure: PLN 1,960,863.24. Grant amount: PLN 1,530,460.70. The project is implemented by a consortium comprising the University of Zielona Góra and SECO/WARWICK S.A.

- “Development of an innovative device for multi-option and high-volume casting of gas turbine blades with monocrystalline microstructure for the aviation industry” – JetCaster. Intermediary 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.04.01.04-00-0044/17. Application filing date: December 19th 2017. No. of call: 1/4.1.4/2017. The project was recommended to receive co-financing. Amount of eligible expenditure: PLN 8,713,342.16. Recommended grant amount: PLN 5,916,135.64. Once the co-financing agreement is signed, the project will be implemented by a consortium comprising SECO/WARWICK S.A. and the Rzeszów University of Technology.
- “Development and deployment of a smart monitoring and predictive diagnostics system for Seco/Warwick vacuum furnaces in line with the Industry 4.0 concept” – Predictive4Furnace. 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.01.01.01-00-1156/17. Application filing date: December 29th 2017. No. of call: 6/1.1.1/2017. The application has passed the assessment procedure – final decision pending.

The following final reports were prepared in 2017/2018:

- Final report on acceptance procedure (LPC) concerning a three-chamber gas heated vacuum furnace in industrial conditions – confirmation of technological assumptions.
- Final report on research concerning the operation of DeepCaseMaster Evolution (PIT Vacuum Furnace) and its vacuum carburising technology (LPC + PreNit LPC) – confirmation of technological and operational assumptions.

The following projects were continued in 2017/2018:

- UniCase Master® – work continued under the grant agreement for Project No. POIR.04.01.04-00-0087/15 ‘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® Feedback Control – work continued under the grant agreement for Project No. POIR.04.01.04-00-0010/16 ‘Development of a new generation of ZeroFlow Feedback Control technology-based nitriding furnaces’. Intermediary 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.
- SeCoil® Coil Temperature Control System – development of a commercial version of the software interoperating with the Vortex® furnace’s superordinate system. The project is financed with the Group's own funds.
- DeepCaseMaster Evolution (PIT Vacuum Furnace) – adaptation of the PIT furnace to the demonstration conditions and carrying out proof tests on a complete process line. The project is 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 – verification and commercialisation of the new SimVac 3.7 software. Project financed with the Group's own funds under a collaboration agreement with the Łódź University of Technology.
- Development of the vacuum nirocarburising technology (LPNC). Project financed with the Group's own funds.

In 2017, 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 20th 'Modern trends in heat treatment' seminar, an annual industry event in Poland. The seminar was held at the Remes Hotel in Opalenica, Poland, between September 12th and 14th 2017. The event was attended by approximately 140 guests, including customers and trade and research partners. The participants gave fourteen thematic lectures. The seminar was praised for its high quality, both in terms of content and organisation.

26. Environmental protection

In 2017, 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 has two required permits for the production of waste and the discharge of gases and dust into the air:

1. In the case of a permit for the production of waste, the company has a renewed permit dated 16/06/2017 with the expiry date until 16/06/2027. Records of all waste generated are kept in the Company. The company has signed appropriate agreements with specialist companies for waste collection, which deal with utilization, recycling and waste treatment, these companies have the required permits.
2. In the case of a permit to introduce gases and dusts to the air, the company has a renewed permit of 21/03/2017 with the expiry date until 21/03/2027. They are regularly conducted once a year by a specialist external company measuring dust and gas emissions into the air to control emission levels.

27. Workforce

For more information on the workforce of SECO/WARWICK S.A., see Note 28 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 authorisation 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.

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) **Date of the agreement concluded by the Company with a qualified auditor of financial statements for audit or review of financial statements or consolidated financial statements, and the term of such agreement,**
- b) **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 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 27th 2017, the Supervisory Board, acting under Art. 29.1.6 of the Articles of Association, which authorises it to appoint the Company's auditor, passed Resolution No. 14/2017 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 and reviewed the half-year separate and consolidated financial statements for 2017.

The agreement with the auditor was executed on June 19th 2017.

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 auditors for 2017 and 2016.

Table: Total remuneration of the auditors for 2017 and 2016

Service	Remuneration for 2017 (PLN '000)	Remuneration for 2016 (PLN '000)
Audit of the full-year financial statements	220	101
Other assurance services, including a review of financial statements	115	67
Other services	-	4
Total	334	173

Date: April 26th 2018

Paweł Wyrzykowski
*President of the Management
Board*

Sławomir Woźniak
*Vice President of the
Management Board*

Bartosz Klinowski
*Member of the Management
Board*