

## **BRIEF ASSESSMENT OF THE COMPANY'S SITUATION WITH REGARD TO THE EVALUATION OF INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM SIGNIFICANT FOR THE COMPANY**

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*The Supervisory Board of Suwary S.A., pursuant to Section 20 paragraph 3 of the Articles of Association of the Company, Rule No. 3 paragraph 1 subparagraph 1 of Best Practices of WSE Listed Companies and Section 4 paragraph 1d of the Rules of Supervisory Board, made an assessment of the situation of the Company in the year 2012/2013, and assessment of the internal control system and risk management system significant for the Company.*

### **Assessment of the internal control system and risk management system significant for the Company**

In the period covered by this report, there has been a change in the basic principles of management of the Company, consisting in the creation of the position of Financial Director. In accordance with the change of the organisation chart of the Company dated 02.01.2013, Financial Director is directly subordinated to the Company's Management Board and he directs the financial - accounting, HR and IT departments.

Each month, after closing of the books, among the members of the Management Board there are management information reports distributed, analysing key financial data, which can then be analysed by the Management Board. These data are reported on a regular basis to all members of the Supervisory Board and discussed at the meeting of the Supervisory Board. Management Board on the regular basis also receives, from Chief Accountant, financial information, regarding- in particular- costs and other relevant financial data affecting the Company's results. Financial data forming the basis of the financial statements and interim reports come from an accounting – financial system, in which transactions are recorded in accordance with the Company's accounting policies based on International Accounting Standards. Prepared financial statements are submitted to the Management Board for final verification. The annual and semi-annual financial statements are independently audited and reviewed by an expert auditor. The results of audits are transmitted to the Management Board and the Supervisory Board, and review and report on the audit of the annual report also to the General Assembly.

### **Assessment of Company's situation**

The Supervisory Board assessed that the financial year from 01.10.2012 to 30.09.2013 was for the Company a year of further decisions to improve the management of the company, improve sales performance and increase production capacity:

- A significant increase in the level of assets at the end of the financial year (30.09.2013) compared to the previous period (30.09.2012) is associated with investments in subsidiaries. Investments involve the acquisition of additional shares in Kartpol Group Sp. z o.o. and capital contributions to Suwary Tech Sp. z o.o. allocated for financing the company's investments. The company has also reduced the level of working assets by reducing levels of inventory and commitments thereby achieving higher operational efficiency.
- Increase of the company's equity is related to the financial results achieved in the current financial year. The Company did not pay dividends in the period from 01.10.2012 to 30.09.2013. The increase in short-term liabilities is associated with prolongation of terms of payment for deliveries (the company to a much larger extent benefited from the supply of basic raw material with

maturities of 90 days). At the same time, the level of trade payables was effected by the stock of raw materials realised in the fourth quarter of the financial year for which the payment is due at the end of the financial year. Increasing the level of financial commitment stems from elapsing terms of the credit agreements relating to the implementation of EU projects. A large part of financial obligations arising from this title shall be paid before the expiry of 12 months from the end of financial year.

- Statement of profit and loss account for the current and previous financial period concerns different periods since the previous financial year included 21 months while the current 12 months. Despite such different accounting periods the company's net result was nearly three times higher than in the previous year. The company made a profit from continuing operations amounting to PLN 6 490 thousand.
- Investments increasing production capacity of Suwary S.A.:

Two major projects have been completed in the financial year 2012/2013:

- The innovative technology of a special cooling system for blow moulds in the production of plastic packaging.
- Purchase and commissioning of the production line of multi-layer packaging for use in potentially explosive areas.

The Company has implemented new products for the production:

- 10L and 20L canister with a funnel under the handle
- Funnel with harmonica for large-size packaging
- O 50 Cap
- A new type of bottle for the food industry
- The Company is currently implementing investments related to the construction of a manufacturing plant in Łódź Special Economic Zone. Investment was launched in 2012/2013 financial year and its first phase will be completed at the turn of first and second quarter of 2014.

The Supervisory Board believes that the Company is managed correctly and efficiently. Constant improvement of the results in terms of sales, positive financial result and an appropriate financial structure manifested in sizes of financial ratios allow the Supervisory Board for a positive evaluation of the performance of the Management Board. The Supervisory Board agrees with the Management Board's opinion that, apart from the development of products and technology, the implementation of Lean Management, enabling continuous improvement of economic and organisational efficiency of the company, and thus a continuation of stable development will be equally important for future results.

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