

**RESOLUTION No. 142/III/2012
of the Supervisory Board of ERGIS-EUROFILMS S.A.
with registered office in Warsaw
of 24 May 2012**

Article 1

The Supervisory Board of ERGIS-EUROFILMS S.A., acting pursuant to Code of Best Practice for WSE Listed Companies, having assessed, hereby adopts: *“The concise assessment of the situation of the Company in 2011, including the assessment of the internal control system and the system of management of risk significant for the Company”* in the wording which is attached as Appendix to this Resolution and decides to submit the abovementioned document to the Annual General Shareholders Meeting of ERGIS-EUROFILMS S.A.

Article 2

The Resolution shall become effective on the day of its adoption.

The Resolution was adopted in an open vote:

Appendix:

The concise assessment of the situation of the Company in 2011, including the assessment of the internal control system and the system of management of risk significant for the Company.

Votes:

for: -
against: -
abstentions: -

1. Marek Górski - Chairman[signature].....
2. Jacek Korpała - Deputy Chairman[signature].....
3. Stanisław Mazgaj - Deputy Chairman[signature].....
4. Paweł Kaczorowski - Secretary[signature].....
5. Maciej Grelowski[signature].....
6. Beata Kurbiel[signature].....
7. Zenon Dąbrowski[signature].....

*Appendix to Resolution No. 142/III/2012
of the Supervisory Board of ERGIS-EUROFILMS S.A.
with registered office in Warsaw of 24 May 2012:*

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The concise assessment of the situation of ERGIS-EUROFILMS S.A. in 2011, including the assessment of the internal control system and the system of management of risk significant for the Company.

Based on: Rule III. 1.1) of the Code of Best Practice for the WSE Listed Companies

The Company's financial result for 2011 was determined by the increase in prices of raw materials and the increase in the EUR exchange rate. Prices of PVC in this period went up by approx. 6% as compared to 2010, while prices of FDO by approx. 12%, which was reflected in a decrease in profitability of products manufactured from those materials (compounds, extruded products, some groups of films).

The value of sales revenue went up by 1%, in nominal terms, and after excluding rigid films, the production and sales of which were transferred to MKF-Ergis in March 2011, the dynamics of growth was 7.6%, with the average EUR exchange rate being higher by approx. 3.4%. High dynamics was noted in the export sales (an increase by approx. 10.3% as compared to 2010). The structure and dynamics of sales are described in greater detail in point 1.5.

Increase in sales recorded by the Company to a certain extent limited the decrease in profit caused by lower profitability. Nevertheless, it has been increasingly difficult and time-consuming to reflect further increases in prices of raw materials in the prices of products. Party for this reason, but mainly due to transfer of rigid film production, EBITDA decreased in 2011 to PLN 24,010,000 as compared to PLN 29,298,000 in 2010.

The increase in prices of raw materials slowed down only in the fourth quarter of 2011, which resulted in stabilisation of the sales level and improvement of unit margins and the operating result of the company in that period.

The profit before taxes and the net profit for 2011 do not look favourably when compared to 2010, which results from high financial expenses. Such expenses included unrealised foreign exchange losses connected with an increase of the EUR exchange rate for the balance-sheet date (by 11.5% as compared to the rate on 31 December 2010). The expense in 2011 amounted to PLN 3,786,000, whereas in 2010 foreign exchange gains (income) in the amount of PLN 2,983,000 was recorded. The next category of financial expenses was an accounting loss on disposal of shares in Remfol Sp. z o.o., amounting to PLN 1.4 million.

As earlier announced, in 2011 the Company made an impairment charge revaluating the shares in its subsidiary MKF-Folien GmbH and also holding Company Lonni, the latter holding a 5.1% share in the German companies. Although the margins on products manufactured and distributed by the German companies improved in 2011 compared to 2010, they are much lower than expected. In the opinion of the Company, with current trends of

significant increase in the prices of raw materials, it is not possible to achieve the margins on such levels in the foreseeable future. The value of impairment charges revaluating the shares amounts to PLN 30.987 million. The Company will continue to analyse the situation on the product markets of those companies and, if necessary, does not exclude further impairment charges.

As a result of valuation of more important process lines (from Group "5" of the Fixed Asset Classification) made in February 2012 by an authorised property valuer – Mr Dariusz Ryl (acting on behalf of ITM Sp. z o.o. belonging to the Polish Association of Mechanical Engineers and Technicians), a difference between the market (fair) value and the balance-sheet value of those items was found. Hence, the Company decided to make revaluation of the balance-sheet value as at 31 December 2011, according to IAS 16, taking the difference to "revaluation reserve" and increase the provision for income tax. At the same time, the Company decided to lengthen the depreciation period of those lines so that in future their fair value does not differ significantly from their balance-sheet value.

Also other process lines from Group "5" of the Fixed Asset Classification were analysed to estimate their value as at 31 December 2011. A decision was taken to revalue the balance-sheet value of two process lines for production of stretch film and one process line for production of PET tapes, at the same time lengthening their depreciation period to adjust it to technological and economic pace of wear and tear.

The ratios of total debt slightly improved in 2011. It is first of all from a results of higher EUR exchange rate. The high rate causes a higher value of debt denominated in that currency and also, by increased prices, higher working capital engagement. In addition, the scale of investments carried out by the Company contributes to the increased indebtedness. Nevertheless, a general debt level is safe according to the Management Board, and the Company repays investment loans as scheduled. The total liabilities as at 31 December 2011 amounted to PLN 187.6 million, which means an increase by 6.4% as compared to 31 December 2010 (PLN 176.3 million).

As at 31 December 2011, total liabilities amounted to PLN 187.6 million, which represents an increase compared to PLN 176.3 million as at 31 December 2010. The general debt level results from investment decisions made in previous years and is considered as safe.

Collection of receivables is well managed at the Company. There are no problems with settling current liabilities, either.

The Supervisory Board finds the efforts taken both by the Company's Management Board and its employees with a view of the Company's further development as positive. The Supervisory Board also finds with satisfaction that Ergis-Eurofilms S.A. conducts its

operations in compliance with the rules of business ethics and corporate governance, has sound basis for further development growth and increasing value for the shareholders.

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

The internal control system at Ergis-Eurofilms S.A. is regulated by procedures and instructions which specify in detail the manner of conduct and the scope of responsibilities as well as powers of persons involved in the system. An internal control unit operates at the Company. This is the in-house auditor who directly reports to the Deputy Financial Director of the Company.

The Management Board of ERGIS-EUROFILMS S.A. is responsible for the internal control system and its effectiveness in reference to the process of preparation of financial statements. Procedures and instructions for the preparation of the financial statements are applied in the Company. The Company uses the IT system of ERP class, with system controls built in, preventing unauthorised operations in the system. Additionally, analyses of deviations of individual financial items are carried out on a monthly basis. The accounting books of ERGIS-EUROFILMS S.A., as well as of majority of the subsidiaries, are kept by Numeratis Sp. z o.o., an accounting office, under the supervision of the Financial Director of ERGIS-EUROFILMS S.A. The consolidated financial statements are prepared based on uniform consolidation packages. Separate financial statements of the subsidiaries and the consolidated financial statements are prepared based on uniform accounting principles approved by the President of the Management Board of ERGIS-EUROFILMS S.A. and the Management Boards of the subsidiaries.

The prepared financial statements are subject to review and audit by an independent chartered auditor.

The risk management system at Ergis-Eurofilms S.A. involves all risks significant for the Company, including:

1. risk connected with macroeconomic situation of Poland;
2. risk connected with macroeconomic situation of Germany;
3. risk connected with competition with other entities;
4. risk connected with exchange rates;
5. risk connected with amendments to legal regulations which includes amendments to tax law and application thereof;
6. interest rate risk.

Managing most important risks, i.e. the risk connected with a change in the interest rate and the risk connected with exchange rates consists in limiting the risk by entering into hedging transactions and establishing a fixed WIBOR rate for the lending period in respect of the largest loans as well as implementing natural hedging, i.e. equalling proceeds from sales in Euro with purchases in Euro.

The Supervisory Board would like to express admiration for the Management Board for its engagement in the issues pertaining to the management of risk and the internal control system. It also approves the Management Board's activities in terms of institutional control exercised by the in-house auditor and the supervision of the Audit Committee. In the assessment of the Supervisory Board, the Company undertakes all possible measures aimed at reducing its exposure to business risks connected both with the market environment and its operations.

The Supervisory Board assesses the situation of Ergis-Eurofilms S.A. in 2011 as positive.

1. Marek Górski - Chairman[signature].....
2. Jacek Korpała - Deputy Chairman[signature].....
3. Stanisław Mazgaj - Deputy Chairman[signature].....
4. Paweł Kaczorowski – Secretary[signature].....
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