THE SECO/WARWICK GROUP

INTRODUCTION TO THE INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED FOR THE PERIOD

JANUARY 1ST – JUNE 30TH 2010

CONTENTS

GENERAL INFORMATION

I. Details of the Parent Undertaking

The Parent Undertaking of the SECO/WARWICK Group is SECO/WARWICK Spółka Akcyjna of Świebodzin. The Company was incorporated on January 2nd 2007 by virtue of the decision issued by District Court for Zielona Góra, VIII Commercial Division of the National Court Register, and entered in the Register of Entrepreneurs of the National Court Register under No. KRS 0000271014.

Name:	**SECO/WARWICK S.A.**
Legal Form:	Joint-stock company *(spółka akcyjna)*
Registered address:	ul. Sobieskiego 8, 66-200 Świebodzin, Poland

Core Business According to the Polish Classification of Business Activities (PKD):

29.21.Z	Manufacture of ovens, furnaces and furnace burners
29.24.B	Service activities related to the installation, repair and maintenance of other special purpose machinery n.e.c., excluding service activities
29.24.A	Manufacture of other general-purpose machinery n.e.c., excluding service activities
29.40.A	Manufacture of metal forming machinery and machine tools, excluding service activities
29.40.B	Service activities related to the installation, repair and maintenance of metal forming machinery and machine
29.51.Z	Manufacture of machinery for metallurgy
51.14.Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft
51.61.Z	Wholesale of metal forming machinery,
51.70.Z	Other specialised wholesale
74.20.A	Architectural, spatial planning and engineering activities and related technical consultancy
74.30.Z	Technical testing and analysis
73.10.G	Research and development in the field of technique and technology

National Court Register (KRS) No.:	KRS 0000271014
Industry Identification Number (REGON)	970011679

II. Duration of the Group:

SECO/WARWICK S.A. and other undertakings of the SECO/WARWICK Group have been registered to operate for an unlimited period of time, except for SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd., which has been registered to operate for the period of 50 years.

III. Presented Periods

These interim condensed consolidated financial statements cover the period from January 1st 2010 to June 30th 2010. The comparable data:

- for the interim consolidated statement of financial position is presented as at December 31st 2009 and June 30th 2009
- for the interim consolidated statement of comprehensive income and the interim consolidated statement of cash flows covers the period January 1st – June 30th 2009,
- for the interim consolidated statement of changes in equity covers the period January 1st – June 30th 2009 and January 1st – December 31st 2009.

IV. Composition of SECO/WARWICK S.A.'s (the Parent Undertaking) Governing Bodies

MANAGEMENT BOARD		
Composition of the Management Board as at December 31st 2009	Leszek Przybysz Andrzej Zawistowski Witold Klinowski Józef Olejnik Wojciech Modrzyk	President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board Vice-President of the Management Board
Composition of the Management Board as at June 30th 2010	Leszek Przybysz Andrzej Zawistowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
SUPERVISORY BOARD		
Composition of the Supervisory Board as at December 31st 2009	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Grygiel	Chairman of the Supervisory Board Vice-Chairman of the Supervisory Board Vice-Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Composition of the Supervisory Board as at June 30th 2010	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Rusiecki Mariusz Czaplicki	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board

V. Auditors

PKF Audyt Sp. z o. o.
ul. Elbląska 15/17
01 -747 Warsaw

VI. Significant Shareholders of the Parent Undertaking

The table below presents the shareholders holding over 5% of the total vote at the General Shareholders Meeting as at June 30th 2010:

Shareholder	Number of shares held	% of share capital held	Number of votes	% of total vote at GM
SW Poland Holding B.V. (Netherlands)	4,119,508	43.04%	4,119,508	43.04%
Spruce Holding Limited Liability Company (US)	1,726,174	18.03%	1,726,174	18.03%
ING NN OFE	723,199	7.56%	723,199	7.56%
OFE POLSAT S.A.	485,974	5.08%	485,974	5.08%
PZU Asset Management S.A.	484,692	5.06%	484,692	5.06%
PKO TFI S.A.	478,601	5.00%	478,601	5.00%

VII. Subsidiaries

SECO/WARWICK S.A. is the direct Parent Undertaking of the following three subsidiaries:

- LZT Elterma S.A.,
- SECO/WARWICK Corporation, and
- OOO SECO/WARWICK Group,

and holds 100% of the share capital and 100% of the total vote at the general shareholders meetings of these companies.

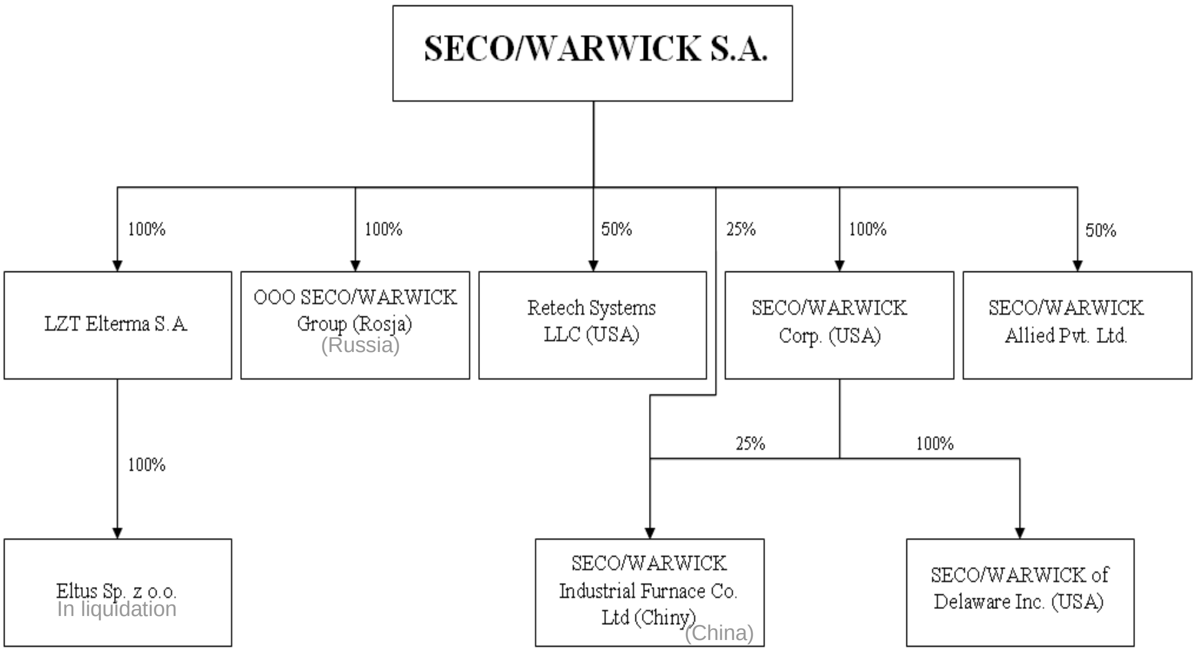
Other Group members are:

- Przedsiębiorstwo Handlowo-Usługowe Eltus Sp. z o.o w likwidacji (in liquidation), in which the Parent Undertaking holds, through LZT Elterma, 100% of the share capital and 100% of the total vote at the general shareholders meeting,
- SECO/WARWICK of Delaware Inc., in which the Parent Undertaking holds, through SECO/WARWICK Corporation, 100% of the share capital and 100% of the total vote at the general shareholders meeting,
- SECO/WARWICK (Tianjin) China (jointly controlled entity), in which SECO/WARWICK S.A. holds directly 25% of the share capital (and of the total vote), and indirectly – through SECO/WARWICK Corporation – another 25% of the share capital and the total vote.
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd., a joint venture of SECO/WARWICK S.A. and Retech Systems LLC, each holding 50% of the share capital (and total vote).

VIII. Associates

- Retech Systems LLC, in which the Parent Undertaking holds 50% of ordinary shares and 50% of the total vote at the general shareholders meeting,
- SECO/WARWICK Allied Pvt. Ltd., in which the Parent Undertaking holds 50% of shares, conferring the right to 50% of the total vote at the company’s general shareholders meeting.

IX. Graphic Presentation of the Group:



FINANCIAL HIGHLIGHTS TRANSLATED INTO THE EURO

The table below presents average EUR/PLN exchange rates quoted by the National Bank of Poland for the periods covered by these financial statements and by the historical financial information:

Financial year	Jun 30 2010	Dec 31 2009	Jun 30 2009
Average exchange rate for the period*	4.0042	4.3406	4.5184
Exchange rate effective for the last day of the period	4.1458	4.1082	4.4696

**) the average of the exchange rates effective for the last day of each month in the period*

Assets and equity and liabilities in the interim consolidated statement of financial position have been translated using the EUR/PLN exchange rates quoted by the National Bank of Poland for the last day of the period.

Items of the interim consolidated statement of comprehensive income and statement of cash flows have been translated using the exchange rates calculated as the arithmetic means of the EUR/PLN mid market rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period.

The table below presents key items of the interim consolidated statement of financial position, statement of comprehensive income and statement of cash flows disclosed in these interim consolidated financial statements and the comparable data, translated into the euro:

Financial Highlights -Consolidated

Item	H1 2010	H1 2009	H1 2010	H1 2009
	(PLN '000)		(EUR '000)	
Net sales revenue	64,933	63,395	16,216	14,030
Cost of sales	(54,125)	(44,512)	(13,517)	(9,851)
Operating profit/(loss)	(7,667)	1,515	(1,915)	335
Pre-tax profit/(loss)	(4,792)	(138)	(1,197)	(31)
Net profit/(loss)	(3,840)	1,057	(959)	234
Net cash provided by (used in) operating activities	148	33,315	37	7,373
Net cash provided by (used in) investing activities	(3,687)	(13,379)	(921)	(2,961)
Net cash provided by (used in) financing activities	3,060	191	764	42
	Jun 30 2010	**Dec 31 2009**	**Jun 30 2010**	**Dec 31 2009**
Total assets	238,034	211,440	57,416	51,468
Total liabilities	63,924	45,534	15,419	11,084
of which current liabilities	44,666	29,154	10,774	7,096
Equity	174,109	165,906	41,997	40,384
Share capital	3,471	3,471	837	845

The table below presents the key items of the interim condensed separate statement of financial position, statement of comprehensive income and statement of cash flows presented in these financial statements and the comparable data, translated into the euro:

Separate Financial Highlights

Item	H1 2010	H1 2009	H1 2010	H1 2009
	(PLN '000)		(EUR '000)	
Net sales revenue	34,243	36,422	8,552	8,061
Cost of sales	(25,158)	(22,893)	(6,283)	(5,067)
Operating profit/(loss)	(620)	4,781	(155)	1,058
Pre-tax profit/(loss)	185	(2,204)	46	(488)
Net profit/(loss)	62	(1,763)	15	(390)
Net cash provided by (used in) operating activities	8,286	28,222	2,069	6,246
Net cash provided by (used in) investing activities	(9,425)	(10,831)	(2,354)	(2,397)
Net cash provided by (used in) financing activities	(36)	(66)	(9)	(15)
	Jun 30 2010	**Dec 31 2009**	**Jun 30 2010**	**Dec 31 2009**
Total assets	160,444	155,452	38,700	37,839
Total liabilities	26,886	21,066	6,485	5,128
of which current liabilities	20,515	14,520	4,948	3,534
Equity	133,559	134,386	32,215	32,712
Share capital	3,471	3,471	837	832

MANAGEMENT BOARD'S STATEMENT

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009, the Management Board of the Parent Undertaking represents that to the best of its knowledge these interim condensed consolidated financial statements and the comparable data have been prepared in compliance with the accounting standards applicable to the Group and give an accurate, fair and clear view of the Group's assets, financial standing and financial performance.

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU, and their scope is compliant with the requirements set forth in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009 (Dz.U. of 2009 No. 33, item 259).

The Management Board represents that the entity qualified to audit financial statements that reviewed the interim condensed consolidated financial statements and the interim condensed separate financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the review met the conditions required to issue an impartial and independent review report, in accordance with the applicable provisions of the Polish law. In line with the corporate governance rules adopted by the Management Board, the auditor was selected by the Company's Supervisory Board by virtue of Resolution No. 6/2009 of February 25th 2009, concerning selection of the auditor. The Supervisory Board selected the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor's tasks.

XII. Approval of the Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of the parent undertaking on August 30th 2010.

Date: August 30th 2010

	Leszek Przybysz	Andrzej Zawistowski
	President of the Management Board	*Vice-President of the Management Board*
Wojciech Modrzyk	Józef Olejnik	Witold Klinowski
Vice-President of the Management Board	*Member of the Management Board*	*Member of the Management Board*

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS FOR THE PERIOD

JANUARY 1ST – JUNE 30TH 2010

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(PLN ‘000)

Assets	As at Jun 30 2010	As at Dec 31 2009	As at Jun 30 2009
NON-CURRENT ASSETS	**125,569**	**112,305**	**118,841**
Property, plant and equipment	47,549	45,831	47,933
Investment property	442	448	455
Goodwill	5,103	4,284	4,770
Other intangible assets	8,978	9,838	8,389
Investments in associates	57,632	47,769	50,469
Financial assets available for sale	3	3	3
Non-current receivables			
Other assets			
Loans and receivables	1		3
Prepayments and accrued income			
Deferred tax assets	5,861	4,133	6,819
CURRENT ASSETS	**106,837**	**99,135**	**119,428**
Inventories	19,035	16,091	18,118
Trade receivables	34,511	21,103	44,334
Other current receivables	7,401	5,843	4,213
Prepayments and accrued income	2,050	1,740	1,887
Financial assets at fair value through profit or loss		143	
Loans and receivables	7	3	5
Cash and cash equivalents	25,103	25,254	32,638
Contract settlement	18,731	28,958	18,232
ASSETS HELD FOR SALE	**5,628**		
TOTAL ASSETS	**238,034**	**211,440**	**238,269**

Equity and Liabilities	As at Jun 30 2010	As at Dec 31 2009	As at Jun 30 2009
EQUITY	**174,109**	**165,906**	**172,278**
Equity attributable to owners of the parent	**173,255**	**165,906**	**172,278**
Share capital	3,471	3,471	3,471
Statutory reserve funds	140,914	143,833	143,833
Other capitals	36	2	(797)
Retained earnings/(deficit)	28,834	18,600	25,771
Non-controlling interests	**854**		
NON-CURRENT LIABILITIES	**16,422**	**16,381**	**18,966**
Loans and borrowings			
Financial liabilities	264	234	390
Other liabilities	494	406	1,384
Deferred tax liabilities	10,112	10,767	12,051
Provision for retirement and similar benefits	3,176	2,792	3,841
Provisions for liabilities			
Accruals and deferred income	2,376	2,181	1,300
CURRENT LIABILITIES	**44,666**	**29,154**	**47,025**
Loans and borrowings	2,090	365	6,160
Financial liabilities	2,936	2,080	11,039
Trade payables	13,525	11,118	10,562
Taxes, customs, duties and social security payable	2,670	2,348	2,037
Other current liabilities	3,471	3,140	3,476
Provision for retirement and similar benefits	854	973	1,217
Other provisions	2,663	3,070	3,636
Accruals and deferred income	16,457	6,060	8,898
LIABILITIES HELD FOR SALE			
,			
TOTAL EQUITY AND LIABILITIES	**238,034**	**211,440**	**238,269**

Date: August 30th 2010

Prepared by:
Piotr Walasek

Leszek Przybysz
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	Jan 1–Jun 30 2010	Jan 1–Jun 30 2009
Net sales revenue, including:	**64,933**	**63,395**
Net revenue from sales of products	64,337	62,845
Net revenue from sales of goods for resale and materials	596	550
Cost of sales, including:	**(54,125)**	**(44,512)**
Cost of products sold	(53,748)	(44,184)
Cost of goods for resale and materials sold	(377)	(327)
Gross profit/(loss)	**10,808**	**18,883**
Other operating income	427	1,612
Selling costs	(5,265)	(4,675)
General and administrative expenses	(13,288)	(13,135)
Other operating expenses	(348)	(1,169)
Operating profit/(loss)	**(7,667)**	**1,515**
Finance income	1,837	3,633
Finance expenses	(561)	(11,516)
Share in net profit/(loss) of associates	1,600	6,229
Pre-tax profit/(loss)	**(4,792)**	**(138)**
Corporate income tax	1,599	1,562
Net profit/(loss) from continuing operations	**(3,192)**	**1,423**
Profit/(loss) from discontinued operations	(648)	(366)
Net profit/(loss) for financial year	**(3,840)**	**1,057**
Earnings per share (PLN)	(0.40)	0.11
Weighted average number of shares as at	9,572,003	9,572,003
OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	(1,139)	1,746
Exchange differences on translating foreign operations	12,078	4,287
Actuarial gains/(losses) on a defined benefit retirement plan		
Income tax relating to other comprehensive income	216	(332)
Other comprehensive income, net	**11,156**	**5,701**
Total comprehensive income	**7,316**	**6,758**

Date: August 30 2010

Prepared by:
Piotr Walasek

Leszek Przybysz
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(PLN '000)

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
OPERATING ACTIVITIES		
Pre-tax profit/(loss)	(4,792)	(505)
Total adjustments:	**5,808**	**33,242**
Share of net profit of associates	(1,600)	(6,229)
Depreciation and amortisation	2,403	2,566
Foreign exchange (gains)/losses	528	133
Interest and profit distributions (dividends)	75	153
(Profit)/loss on investing activities	359	9,753
Balance sheet valuation of derivative instruments	(604)	(1,804)
Change in provisions	(822)	(1,489)
Change in inventories	(2,690)	2,271
Change in receivables	(11,692)	24,261
Change in current liabilities, excluding financial liabilities	1,023	(12,854)
Change in accruals and deferrals	18,900	16,422
Other adjustments	(72)	59
Cash from operating activities	**1,016**	**32,738**
Income tax (paid) / refunded	(868)	577
Net cash provided by (used in) operating activities	**148**	**33,315**
INVESTING ACTIVITIES		
Cash provided by investing activities	**57**	**37**
Proceeds from disposal of intangible assets and property, plant and equipment	52	30
Proceeds from disposal of financial assets		
Dividends and profit distributions received		
Repayment of non-current loans advanced		
Interest received		
Other cash provided by financial assets	5	7
Cash used in investing activities	**3,743**	**13,416**
Investments in intangible assets, property, plant and equipment, and investment property	3,615	3,664
Acquisition of related undertakings		
Acquisition of financial assets		
Increase in long-term loans advanced		
Cash paid in connection with derivative instruments	118	9,752
Other cash used in investing activities	10	
Net cash provided by (used in) investing activities	**(3,687)**	**(13,379)**

FINANCING ACTIVITIES		
Cash provided by financing activities	**3,529**	**1,069**
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	1,595	
Loans and borrowings	1,934	1,069
Issue of debt securities		
Other cash provided by financing activities		
Cash used in financing activities	**469**	**879**
Acquisition of own shares		
Dividends and other distributions to owners		
Profit distributions other than to owners		
Repayment of loans and borrowings	250	541
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	144	186
Interest paid	75	153
Other cash used in financing activities		
Net cash provided by (used in) financing activities	**3,060**	**191**
Total net cash flow	**(478)**	**20,126**
Balance-sheet change in cash, including:	**(151)**	**20,920**
- effect of exchange rate fluctuations on cash held	331	124
Cash at beginning of period	**25,103**	**12,154**
Cash at end of period, including:	**24,625**	**32,281**
- restricted cash		
- including cash relating to discontinued operations	29	

Date: August 30 2010

Prepared by:
Piotr Walasek

Leszek Przybysz
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

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Member of the Management Board

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other capitals	Translation reserve	Retained earnings (deficit)	Non-controlling interests	Total equity
Six months ended Jun 30 2010								
Equity as at Jan 1 2009	**3,471**	**135,792**	**(2,211)**	**0**	**3,007**	**25,460**	**0,**	**165,521**
Correction of fundamental errors						6		6
Total comprehensive income for six months ended Jun 30 2009			1,414		4,287	1,057		**6,758**
Distribution of profit		8,040				(8,040)		
Equity as at Jun 30 2009	**3,471**	**143,833**	**(797)**		**7,294**	**18,477**	**0**	**172,278**
Twelve months ended Dec 31 2009								
Equity as at Jan 1 2009	**3,471**	**135,792**	**(2,211)**	**0**	**3,007**	**25,461**	**0,**	**165,521**
Total comprehensive income for twelve months ended Dec 31 2009			2,211		(1,936)	(555)		(281)
Distribution of profit		8,040				(8,040)		
Share-based payments				2				2
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						339		339
Changes in equity of RETECH not related to net profit/loss						324		324
Equity as at Dec 31 2009	**3,471**	**143,833**	**0**	**2**	**1,072**	**17,529**	**0**	**165,906**
Six months ended Jun 30 2010								
Equity as at Jan 1 2010	**3,471**	**143,833**	**0**	**2**	**1,072**	**17,529**	**0**	**165,906**
Correction of fundamental errors								
Total comprehensive income for six months ended Jun 30 2010			**(922)**		**12,078**	**(3,840)**		**7,316**
Share-based payments				**33**				**33**
Change in the Group's structure (acquisitions/disposals)							**854**	**854**
Distribution of profit		**(2,918)**				**2,918**		
Equity as at Jun 30 2010	**3,471**	**140,914**	**(922)**	**35**	**13,150**	**16,607**	**854**	**174,109**

Date: August 30 2010

Prepared by: Piotr Walasek

Leszek Przybysz *President of the Management Board*	Andrzej Zawistowski *Vice-President of the Management Board*	Wojciech Modrzyk *Vice-President of the Management Board*	Józef Olejnik *Member of the Management Board*	Witold Klinowski *Member of the Management Board*

THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION

TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 3OTH 2010

I. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS endorsed by the European Union. As at the date of approval of these financial statements for publication, given the ongoing process of implementation of the IFRS in the European Union and the scope of the Group's business, as far as the accounting policies applied by the Group are concerned there are no differences between the IFRS which have come into force and the IFRS endorsed by the European Union.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Boards ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

II. Going Concern Assumption and Comparability of Accounts

These interim condensed consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the last balance-sheet date, i.e. June 30th 2010. As at the date of signing these financial statements, the Parent Undertaking's Management Board was aware of no facts or circumstances that would involve a threat to the Group's continuing as a going concern in the 12 months after the balance-sheet date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

By the date of these interim condensed consolidated financial statements for H1 2001, no events occurred which have not but ought to have been disclosed in the accounting books for the reporting period. Concurrently, these financial statements do not report any significant events related to prior years.

III. Basis of Consolidation

a) Subsidiaries

A subsidiary is any undertaking with respect to which the Group has the power to govern its financial and operating policies. Such power is usually derived from the holding of the majority of the total vote in the undertaking's governing bodies. While assessing whether the Group does control a given undertaking, the existence and effect of potential voting rights which may be exercised or converted at a given time are taken into consideration.

Subsidiaries are consolidated with using the full consolidation method starting from the date when the Group assumes control over them and cease to be consolidated when control is lost. Acquisitions of subsidiaries are accounted for by applying the acquisition method. Acquisition cost is measured as the fair value of the transferred assets, issued equity instruments and liabilities incurred or assumed at the date of exchange. The identifiable assets acquired, as well as the liabilities and contingent liabilities assumed as part of the business combination are initially measured at their respective acquisition-date fair values, irrespective of the value of any non-controlling interests. Any excess of the acquisition cost over the fair value of the Group's interest in the identifiable net assets acquired is recognised as goodwill. If transferred consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised directly in the income statement.

Income and expenses, receivables and payables, and unrealised gains arising from to intra-Group transactions are eliminated. Unrealised losses are also eliminated, but only to the extent there is no evidence of impairment of the asset transferred in the transaction. The accounting policies of subsidiaries have been changed whenever it was deemed necessary to align them with the accounting policies applied by the Group.

b) Non-Controlling Interests and Transactions with Minority Shareholders

Non-controlling interests are measured as their proportionate interest in the net assets held in a subsidiary undertaking by shareholders not related to the Group. In subsequent periods, losses attributable to non-controlling interests are attributed to owners of the parent and non-controlling interests even if, as a consequence, the value of non-controlling interests turns negative.

As a rule, the Group treats transactions with minority shareholders as transactions with third parties not related to the Group.

c) Associates

An associate is an undertaking over which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power in an undertaking's governing bodies. Investments in associates are accounted for using the equity method and are initially recognised at consideration transferred.

As from the acquisition date, the Group's share in an associate's net profit (loss) is recognised in the income statement, and the Group's share of the movements in the undertaking's other capitals is recognised under other capitals. The carrying amount of the investment is adjusted for the total changes as from the acquisition date.

d) Companies Included in the Consolidated Financial Statements

The following Group undertakings are included in these interim condensed consolidated financial statements for the periods ended June 30th 2010 and June 30th 2009

Undertaking	% of total vote	
	Jun 30 2010	Jun 30 2009
SECO/WARWICK S.A.	Parent Undertaking	
Lubuskie Zakłady Termotechniczne Elterma S.A.	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
OOO SECO/WARWICK Group Moskwa	100%	100%
Przedsiębiorstwo Handlowo-Usługowe Eltus Sp. z o.o. w likwidacji (in liquidation)	100%	100%
SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd.	50%	50%
Retech Systems LLC	50%	50%
SECO/WARWICK Allied Pvt. Ltd.	50%	50%
SECO/WARWICK Retech Thermal Equipment Manufacturing	75%	

IV. Description of Adopted Accounting Policies, Including Methods of Measurement of Assets, Equity and Liabilities, Revenue and Expenses

These interim condensed consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value through profit or loss (or in accordance with IAS 39 if hedge accounting is applied).

These interim condensed consolidated financial statements are presented in the złoty (“PLN”), and unless specified otherwise, all the values are given in thousands of PLN.

Presentation of Financial Statements

Presentation of the statement of financial position

In accordance with IAS 1 *Presentation of financial statements*, assets and liabilities are presented in the balance sheet as current and non-current.

In accordance with IFRS 5, non-current assets held for sale are presented separately in the balance sheet.

Presentation of the statement of comprehensive income

In accordance with IAS 1 *Presentation of financial statements*, in the statement of comprehensive income expenses are presented by function.

Earnings per share

Net earnings per share for each period are determined by dividing net profit for the period by the weighted average number of shares in the period. The weighted average number of shares accounts for the dilutive effect related to the issue of shares at the Warsaw Stock Exchange.

Intangible Assets

As intangible assets the Group recognises such assets which are identifiable (they can be separated or sold), are controlled by the entity and are highly probable to bring future benefits to the entity.

Intangible items include mainly software and development expense, and are initially recognised at cost, which includes purchase price, import duties and non-deductible taxes included in the price, decreased by discounts and rebates and increased by all expenditure directly connected with the preparation of the asset for its intended use.

In order to determine whether a self-created intangible item meets the recognition criteria for an intangible asset, the entity distinguishes two phases in the asset origination process:

- the research phase,
- the development phase.

All costs originating in the first phase are charged directly to expense of the period.

Components of intangible items created as a result of development work are capitalised by the Group only of the following criteria are met:

- it is certain that the intangible item will be completed,
- the feasibility of the asset for use or sale can be demonstrated,
- the expenditure incurred can be measured reliably.

Goodwill arises on acquisition of a business and corresponds to the excess of transferred consideration over the acquirer’s share in the fair value of net identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is recognised at cost less cumulative impairment losses. Goodwill is not amortised.

The table below summarises the Group's accounting policies with respect to intangible assets:

Item	Patents and licences	Computer software
Useful life	5 - 10 years	5 - 15 years
Method used	Amortised throughout the agreement term using the straight-line method	Amortised using the straight-line method
Origin	Acquired	Acquired
Review for impairment / recoverable value testing	Annual assessment whether there are any indicators of impairment.	Annual assessment whether there are any indicators of impairment.

Property, Plant and Equipment

Property, plant and equipment is carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation is charged using the straight-line method by estimating the useful life of a given asset, which is:

Buildings and structures	from 10 to 40 years
Plant and equipment	from 5 to 30 years
Vehicles	from 5 to 10 years
Other tangible assets	from 5 to 15 years

Non-current assets held under finance lease agreements have been disclosed in the balance sheet equally with other non-current assets and are depreciated in the same way.

The initial values of non-current assets held under finance lease agreements and of the obligations corresponding with such assets have been determined at an amount equal to the discounted value of future lease payments. Lease payments made in the reporting period have been charged against finance lease liabilities in an amount equal to the principal instalment and the excess (the finance charge) has been charged in full to finance expense of the period.

Any gains and losses arising on a sale or liquidation are determined as the difference between the income from the sale and the net value of the tangible assets, and are included in the income statement.

The Group has adopted the rule that the residual value of tangible assets is always equal to "zero".

Tangible Assets under Construction

Tangible assets under construction include expenditure on property, plant and equipment and intangible assets which are not yet fit for use but it is highly probable that they will be completed. Tangible assets under construction are presented in the balance sheet at cost less impairment. Tangible assets under construction are not depreciated.

Investment Property

The Group classifies as investment property all property which is considered a source of income (earns rentals) and/or is held for capital appreciation.

Investment property is carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation is charged over the estimated useful life of the investment property, using the straight line method. Land is not depreciated.

Financial Assets and Liabilities

Financial assets include interests in associates, assets at fair value through profit or loss, hedging derivatives, loans and receivables and cash and cash equivalents.

Financial liabilities include loans and borrowings, other types of financing, overdraft facilities, financial liabilities at fair value through profit or loss, hedging derivatives, trade payables, liabilities to suppliers of tangible assets, and lease liabilities.

Except for investments in subsidiaries, jointly controlled entities and associates, which are carried at cost in accordance with IAS 27 and IAS 28, financial assets and liabilities are recognised and measured in line with IAS 39 Financial Instruments: Recognition and Measurement.

Recognition and Measurement of Financial Assets

Upon initial recognition, financial assets are recognised at fair value which in the case of investments not measured at fair value through profit or loss is increased by transaction costs directly attributed to such assets.

Receivables

Trade receivables are recognised and carried at amounts initially invoiced, less impairment charges for doubtful receivables. Impairment charges for receivables are estimated when the collection of the full amount of a receivable is no longer probable.

If the effect of the time value of money is significant, the value of receivables is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. If the discount method has been applied, any increase in the receivable with the passage of time is recognised as finance income.

Other receivables include in particular prepayments made in connection with planned purchases of property, plant and equipment, intangible assets and inventories. As non-monetary assets, prepayments are not discounted.

Cash and Cash Equivalents

Cash and cash equivalents are held mainly in connection with the need to meet the Group’s current demand for cash and not for investment or any other purposes.

Cash and cash equivalents include cash in bank accounts, cash in hand, as well as all liquid instruments which may immediately be converted into cash of known amount and in the case of which the risk of value changes is insignificant.

Recognition and Measurement of Financial Liabilities

Liabilities under Loans and other financial liabilities are initially recognised at fair value and then carried at amortised cost using the effective interest method.

Transaction costs directly connected with an acquisition or issue of a financial liability increase the carrying value of the liability, because upon initial recognition the liability is recognised at the fair value of amounts paid or received in exchange for the liability. Thereafter, such costs are amortised throughout the term of existence of the liability, using effective interest.

Hedge Accounting

Hedge accounting recognises the offsetting effects on the statement of comprehensive income of changes in the fair value of hedging instruments and the hedged items.

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;
b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income;
c) a hedge of a net investment in a foreign operation as defined in IAS 21.

A hedging relationship is subject to hedge accounting if, and only if, all of the following conditions are met:

a) The hedging relationship is formally designated and documented, including the entity's risk management objective and strategy for undertaking the hedge, at the time when the hedge is undertaken. The relevant documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as information how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.
b) The hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, based on the originally documented risk management strategy pertaining to a given hedging relationship.
c) In the case of a cash flow hedge, the contemplated transaction to which the hedge relates is highly probable and exposed to variability in cash flows, which may ultimately affect the statement of comprehensive income.
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item attributable to the hedged risk, as well as the fair value of the hedging instrument, can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined to have been highly effective in all the reporting periods covered by the hedge.

Inventories

Inventories are measured at cost, using a weighted average cost formula. A downward adjustment of the value of inventories to the net selling price is made by way of impairment charges. In addition, inventories that have become obsolete or unusable, and inventories whose usability has become in any way limited, are revalued at the end of each financial year. If the circumstances leading to a decrease in the value of inventories cease to apply, a reverse adjustment is made, i.e. inventories are remeasured at their pre-impairment value.

Impairment charges for inventories and stock-taking discrepancies are charged to cost of products sold.

Deferred Income Tax

In line with IAS 12 *Income Taxes*, deferred income tax is determined using the liability method and recognised in the financial statements for all temporary differences between the carrying amounts of assets and liabilities and their tax values, as well as for unused tax loss carryforwards. A deferred tax asset is recognised for temporary differences to the extent it is probable that the asset will be realised and that taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed at each balance-sheet date. A previously unrecognised deferred tax asset is recognised to the extent it is probable that there will be future taxable income against which the assets can be realised.

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries and associates only to the extent it is probable that:

- the temporary differences will reverse in the foreseeable future, and

- taxable profit will be available against which the temporary differences will be utilised.

In line with IAS 12, deferred tax assets and liabilities are not discounted. Deferred income tax is determined based on the tax rates that have been enacted or substantively enacted at the balance-sheet date.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets, but only when it is practically certain to occur.

The cost related to a given provision is recognised in the statement of comprehensive income net of any recoveries. If the effect of time value of money is significant, the value of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method has been applied, any increase in the provision with the passage of time is charged to finance expenses.

The estimates of outcome and financial effect are determined by the judgment of the companies' management, based on past experience of similar transactions and, in some cases, reports from independent experts.

Provisions are reviewed at each balance-sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group creates the following provisions:

- provision for warranty repairs – on the basis of the historical cost of warranty repairs;
- provision for unused holidays – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay;
- provision for retirement benefits and length-of-service awards – calculated by actuaries;
- provision for employee benefits – bonus payments, salaries and wages;
- provision for probable costs related to the current financial year to be invoiced in the following year (accrued expenses). Depending on the type of accrued expenses, they are charged to costs of products sold, selling costs or general and administrative expenses;
- provision for a defined benefit plan. Fixed contributions are paid to a separate entity (a fund), as a consequence of which actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) fall on the Group.

Assumptions underlying the estimates and the level of provisions are reviewed at each balance-sheet date.

Accruals and Deferrals

In order to ensure the matching of revenues with related expenses, expenses or revenues relating to future periods are posted under liabilities of a given reporting period.

Accrued Expenses

The Group recognises accrued expenses at probable values of current-period liabilities arising in particular under:

- services provided to the Group by its business partners, where the liability can be reliably estimated,
- up to the estimated contract revenue, advances received under construction contracts reduce the receivables under settlement of long-term contracts.

Deferred and Accrued Income

Deferred/accrued income includes primarily government grants intended to finance assets and revenue, as well as any excess of estimated revenue related to the stage of completion of a long-term contract, in accordance with IAS 11, over advances received.

Government grants are disclosed in the statement of financial position at the amount of funds received and then recognised as income over the periods necessary to match them with the related costs they are intended to compensate, on a systematic basis. Government grants are not credited directly to equity.

Accruals and deferrals settled over a period longer than 12 months as from the balance-sheet date are classified as non-current accruals and deferrals, whereas those settled over a period of 12 months or shorter are classified as current accruals and deferrals.

Functional Currency and Presentation Currency

a) Functional Currency and Presentation Currency

Items of the financial statements are measured in the currency of the primary economic environment in which the Company operates ("functional currency"). The financial statements are presented in the Polish złoty (PLN), which is the functional currency and the presentation currency of the Group.

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions, as well as from balance-sheet valuation of monetary assets and liabilities expressed in foreign currencies, are recognised in the income statement, unless they are taken to equity (when they qualify for recognition as cash flow hedges or hedges of net investments).

V. Material Judgments and Estimates

In view of the fact that many items presented in the interim condensed consolidated financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the consolidated financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at June 30th 2010 may change in the future.

Depreciation/Amortisation Charges

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.

Depreciation Charges for Tangible Assets Used under Finance Lease Agreements

Depreciation charges for items of property, plant and equipment and intangible assets used under finance lease agreements are determined based on their expected useful lives, which is consistent with depreciation policy for assets that are owned. Useful lives equal to agreement term are not applied. The Group assumes that assets used under lease agreements must be purchased.

Deferred Tax Assets

Deferred tax assets are recognised in respect of all unused tax losses to be deducted in the future to the extent it is probable that taxable profit will be available which will enable these losses to be utilised.

Provision for Unused Holidays

Provision for accrued employee holidays is determined based on the number of days of accrued unused holidays as at the end of the reporting period.

Provision for Old-Age and Disability Retirement Benefits

Old-age and disability retirement severance pays are paid to employees of the Group's subsidiaries operating under the Polish law in accordance with the provisions of Art. 92 of the Polish Labour Code, whereas at foreign companies such severance pays are paid in accordance with the local labour laws. Actuarial valuation of long- and short-term benefits is performed at the end of each financial year.

Provision for warranty repairs

Provision for warranty repairs is calculated on the basis of the historical costs of manufacturing the equipment sold and of the warranty repairs made in the previous years.

Long-Term Contracts

To account for long-term contracts, the Group applies the provisions of IAS 11 *Construction Contracts*. When the outcome of a construction contract can be estimated reliably, the percentage of completion method is used. The stage of completion is determined by reference to the contract costs incurred to date and the total costs planned to be incurred.

At the end of each reporting period, the Group makes estimates regarding the outcome of each contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised in the income statement.

The amount of such a loss is determined irrespective of: whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts which are not treated as single construction contracts in accordance with paragraph 9 of IAS 11.

The Group applies the above rules to account for commercial contracts related to the Group's core business whose performance term exceeds three months and whose total value is material from the point of view of reliability of the financial statements (revenue, expenses, and the financial result). The Group accrue only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted by any subsequent amendments to the original contract (annexes), or which constitutes any other revenue closely related to the project. Any changes of the contract revenue are taken into account if it is certain (i.e. a contract or annexes to a contract have been signed) or at least a highly probable (i.e. annexes to a contract or preliminary contracts have been initialled) that the client will accept the amendments and the revenue amounts provided for in the amendments, and such revenue can be reliably measured.

The stage of completion of a contract is determined by reference to the contract costs actually incurred in the reporting period and documented by appropriate accounting evidence, and the co-operator costs not yet invoiced, provided that all of the following conditions are met:

a) such costs can be measured reliably,
b) the value of the cooperation contract is more than PLN 250,000
c) the contract performance term is longer than three months.

The revenue as at the end of the reporting period is determined by reference to the stage of completion of the contract, net of any revenue which affected the financial result in previous reporting periods. Estimated contract revenue attributable to the given reporting period is recognised as sales revenue for the period, and disclosed under assets in the statement of financial position as receivables under settlement of long-term contracts.

Any excess of advances received under a contract over the estimated revenue attributable to a given reporting period is recognised under liabilities as prepaid deliveries. Up to the amount of the estimated contract revenue, advances reduce the receivables under settlement of long-term contracts.

Any excess of invoiced revenue is recognised as deferred income.

Derivative Financial Instruments

Derivative financial instruments are remeasured at the end of each reporting period at their fair value as determined by the bank.

Subjective Judgment

Where a given transaction does not fall within the scope of any standard or interpretation, the Management Board relies on its subjective judgment to determine and apply accounting policies which will ensure that the financial statements contain only relevant and reliable information and that they:

- give an accurate, clear and fair view of the Group's assets, its financial standing, results of operations and cash flows,
- reflect the economic substance of transactions,
- are objective,
- conform with the principles of prudent valuation,
- are complete in all material respects.

Subjective judgments as at December June 30th 2010 were made with respect to contingent liabilities and provisions for claims.

VI. Changes in Accounting Policies

Below are presented new standards and IFRIC interpretations which have been published by the International Accounting Standards Board and are effective for reporting periods beginning on or after January 1st 2010.

Revised IFRS 3 “Business Combinations”

Revised IFRS 3 was published by the International Accounting Standards Board on January 10th 2008 and is effective prospectively for annual periods beginning on or after July 1st 2009. The revised standard continues to apply the acquisition method of accounting for business combinations, however with some significant changes. For instance, all payments to purchase a business should be recognised at their acquisition-date fair value, with contingent payments classified as debt subsequently remeasured through profit or loss. Additionally, the revised standard defines new rules of applying the acquisition method, including a requirement to recognise acquisition-related costs as expenses in the period in which they are incurred. Moreover, there is a choice to measure the minority interest (non-controlling interest) in an acquiree either at fair value or as the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

The Group commenced to apply the standard starting from the financial statements for periods that begin on January 1st 2010.

Revised IAS 27 (Z) “Consolidated and Separate Financial Statements”

Revised IAS 27 was published by the International Accounting Standards Board on January 10th 2008 and is effective for annual periods beginning on or after July 1st 2009. The standard requires that the effects of transactions with minority shareholders be presented within equity as long as the entity remains under the control of the existing parent. The standard provides also a more detailed guidance on disclosure in the event of loss of control over a subsidiary, i.e. it requires that the residual holding be remeasured to fair value and the difference recognised in profit or loss.

The Group started to apply the revised IAS 27 prospectively to transactions with minority shareholders (holders of non-controlling interest) starting from the annual financial statements for the period that begins on January 1st 2010.

Amendments to IFRIC 9 and IAS 39 “Embedded Derivatives”

The amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* were published by the International Accounting Standards Board on March 12th 2009 and are effective for annual periods ended on or after June 30th 2009.

The amendments constitute an improvement on the amendments to IFRIC 9 and IAS 39 issued in October 2008 concerning embedded derivatives. The amendments clarify that on reclassification of a financial asset out of the “at fair value through profit or loss” category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.

The Group commenced to apply the amendments to IFRIC 9 and IAS 39 as of January 1st 2010.

Improvements to IFRSs 2009

On April 16th 2009, the International Accounting Standards Board published Improvements to IFRSs 2009 – a collection of amendments to 12 standards. The amendments involve accounting changes for presentation, recognition and measurement purposes as well as terminology and editorial changes. Most of the amendments are effective for annual periods beginning on or after January 1st 2010.

Amendments to IFRS 1 “First-Time Adoption of IFRSs”

Amendments to IFRS 1 *First-Time Adoption of IFRSs* were published by the International Accounting Standards Board on July 23rd 2009 and are effective for annual periods beginning on or after January 1st 2010. The amendments introduce additional exemptions from asset valuation as at the date of first-time adoption of the IFRSs for entities operating in the oil and gas sectors.

Amendments to IFRS 2 “Share-Based Payments”

Amendments to IFRS 2 *Share-Based Payments* were published by the International Accounting Standards Board on June 18th 2009 and are effective for annual periods beginning on or after January 1st 2010. The amendments clarify the accounting for group cash-settled share-based payment transactions. The amendments specify the scope of IFRS 2 and regulate the interaction of IFRS 2 and other standards. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 and IFRIC 11.

IFRIC 12 “Service Concession Arrangements”

Interpretation IFRIC 12 was issued by the International Financial Reporting Interpretations Committee on November 30th 2006 and is effective for annual periods beginning on or after March 29th 2009. The interpretation provides guidance for application of the existing standards by entities participating in service concession arrangements between the private and the public sector. IFRIC 12 applies to contracts under which the grantor controls the kind of services that the operator provides using the infrastructure, as well as the recipient and price of these services.

The Group commenced to apply IFRIC 12 starting from the financial statements for periods that begin on January 1st 2010.

IFRIC 15 “Agreements for the Construction of Real Estate”

Interpretation IFRIC 15 was issued by the International Financial Reporting Interpretations Committee on July 3rd 2008 and is effective for annual periods beginning on or after January 1st 2010. The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate should fall within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* for the purpose of presentation in financial statements. Moreover, IFRIC 15 clarifies when to recognise the revenue from provision of construction services.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”

Interpretation IFRIC 16 was issued by the International Financial Reporting Interpretations Committee on July 3rd 2008 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on how to determine whether risk arises from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. Moreover, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 explains also how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

The Group commenced to apply IFRIC 16 starting from the financial statements for periods that begin on January 1st 2010.

IFRIC 17 “Distributions of Non-Cash Assets to Owners”

Interpretation IFRIC 17 was issued by the International Financial Reporting Interpretations Committee on November 27th 2008 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on the moment of recognition of dividend, measurement of dividend and recognition of the difference between the value of dividend and the carrying amount of the distributed assets.

The Group will apply IFRIC 17 starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 18 “Transfer of Assets from Customers”

Interpretation IFRIC 18 was issued by the International Financial Reporting Interpretations Committee on January 29th 2009 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on the recognition of transfer of assets from customers, namely it clarifies the circumstances in which the definition of an asset is met, the identification of the separately identifiable services (services in exchange for the transferred asset), the recognition of revenue and the accounting for transfers of cash from customers.

The Group commenced to apply IFRIC 18 starting from the financial statements for periods that begin on January 1st 2010.

The Management Board does not expect the above standards and interpretations to have any significant effect on the accounting policies applied by the Group, save for the need to make certain additional or new disclosures. The companies are in the process of analysing the consequences and effects of applying these new standards and interpretations on their financial statements.

VII. New Standards to Be Applied by the Group

Below are presented new standards and IFRIC interpretations which have been published by the International Accounting Standards Board but are not effective for the current reporting period.

IAS 24 *Related Party Disclosures* (amended in November 2009), applicable to annual periods beginning on or after January 1st 2011, not endorsed for use in the EU.

IAS 9 *Financial Instruments*, applicable to annual periods beginning on or after January 1st 2013; by the date of approval of these financial statements, the standard had not been endorsed for use in the EU.

Amendments to IFRIC 14 and IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, applicable to annual periods beginning on January 1st 2011, not endorsed for use in the EU.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, applicable to annual periods beginning on or after January 1st 2011, not endorsed for use in the EU.

Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards*: *Limited Exemption from Capital Comparative IFRS 7 Disclosures for First-time Adopters*, applicable to annual periods beginning on or after January 1st 2011, not endorsed for use in the EU.

According to estimates, the above standards, interpretations and amendments to standards would not have any material effect on the financial statements if they were applied by the Group as at the balance-sheet date.

Alternative Approaches under the IFRSs Chosen by the Group

Some IFRSs allow application of alternative methods for the measurement or recognition of assets and liabilities. The table below provides information on the approaches chosen by the Group:

Standard	Alternative approach applied by the Group
IAS 2 *Inventories*	Inventories are measured at cost, determined using the weighted average cost method.
IAS 16 *Property, Plant and Equipment*	Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.
IAS 38 *Intangible Assets*	Intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses.

THE SECO/WARWICK GROUP

ADDITIONAL NOTES AND EXPLANATIONS TO

THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30TH 2010

1. SALES REVENUE

As provided for under IAS 18, revenue from sale of products, goods for resale, materials and services, net of VAT, discounts and rebates, is recognised when the entity has transferred to the buyer the significant risks and rewards incidental to their ownership.

Sales revenue and total revenue and income of the Group:

Item	H1 2010	H1 2009
Sale of products	64,337	62,845
Sale of goods for resale and materials	596	550
TOTAL sales revenue	**64,933**	**63,395**
Other operating income	427	1,612
Finance income	1,837	3,633
TOTAL revenue and income	**67,197**	**68,640**

OPERATING SEGMENTS

IFRS 8 *Operating Segments*, which has superseded previously binding IAS 14 *Segment Reporting*, is effective as of January 1st 2009. The new standard introduces the “management approach” to segment disclosures and requires that segment information be presented based on those components of the entity that management monitors in making decisions about operating matters. An operating segment is a component of an entity for which discrete financial information is available and whose operating results are reviewed regularly by the entity’s chief decision maker to make decisions about resources to be allocated to the segment and assess its performance. This change in accounting standards has had no impact on the Group’s segment reporting.

The SECO/WARWICK Group’s business comprises the following segments:

Vacuum Furnaces

Vacuum furnaces have multiple applications in a number of industries, including the machine tool, aviation, energy, electrical engineering, medical equipment, automotive and specialised industries. The vacuum furnace solutions may be used in a wide variety of processes such as heat treatment of steel and alloys, brazing, sintering, and degassing. Vacuum furnaces are not only economically efficient but also environmentally friendly.

Controlled Atmosphere Aluminium Brazing (CAB)

The CAB systems are used primarily in the automotive industry for brazing heat exchangers mounted in passenger cars and trucks (charge air coolers, air conditioning evaporators and condensers, oil coolers, etc.). Outside the automotive sector, CAB processes are used in the manufacture of IC radiators, steam condensers for CHP plants, exhaust gas heat exchangers for power generators, etc.

Atmosphere Furnaces

Atmosphere furnaces are widely used in the process of heat and/or chemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for heat and chemical treatment are employed in the gas carburising, gas nitriding and other processes. The furnaces are meant chiefly for the automotive and metal industries, including for the manufacturing of anti-friction bearings, as well as for use in commercial hardening plants and specialised industries.

Aluminium Process

The SECO/WARWICK Group specialises in a selected range of aluminium heat treat processes which generally offer a plethora of applications. The aluminium process solutions offered by the Group are used in the production of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. In addition, the aluminium process systems are used to heat treat aluminium castings.

Melting Furnaces

The metallurgy applications of the vacuum melting furnaces include alloying, melting and purifying specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Due to their physical properties, specialty metals may only be treated with the use of advanced technological solutions under high vacuum conditions.

The different types of melting furnaces include melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines, and medical implants).

Melting furnaces may also be used as an element of the globally-unique processes involving disposal of hazardous waste (such as nuclear by-products).

Other

Reportable geographical segments, delineated based on the geographical location of the respective sales markets, are as follows:

- domestic market (Poland),
- the EU market (excluding Poland),
- markets east of Poland (Russia, Belarus, Ukraine)
- the US market,
- the Turkish market (Turkey),
- other countries.

Financial data for the segments includes only segment revenue, expenses and financial profit or loss. It is impracticable for the Group to allocate assets to the particular segments as its plant and equipment (including buildings and structures) is common to all the segments.

2. OPERATING SEGMENTS – H1 2010

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**23,913**	**4,814**	**23,610**	**796**	**1,938**	**55,071**	**0**	**9,862**	**64,933**
External sales, including:	23,913	4,814	23,610	796	1,938	55,071		9,862	64,933
- sales to customers who account for 10% or more of total segment revenue	16,078	3,124	18,366	422	1,683	39,673		4,302	43,976
Inter-segment sales									
Total costs and expenses	**(16,074)**	**(3,349)**	**(20,935)**	**(1,823)**	**(1,800)**	**(43,980)**	**0**	**(10,145)**	**(54,125)**
General and administrative expenses								(13,288)	(13,288)
Selling costs								(5,265)	(5,265)
Operating income								427	427
Operating expenses								(348)	(348)
Profit (loss) on continuing operations before tax and finance expenses	**7,839**	**1,466**	**2,675**	**-1,027**	**139**	**11,091**	**-**	**(283)**	**(7,667)**
Finance income								1,837	1,837
Net finance expenses								(561)	(561)
Share in profit of associate								1,600	1,600
Pre-tax profit (loss)									**(4,792)**
Income tax									1,599
Profit (loss) on discontinued operations							(648)		(648)
Net profit (loss) for period									**(3,840)**

OPERATING SEGMENTS – H1 2009

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**11,831**	**17,868**	**15,344**	**6,282**	**1,547**	**52,872**	**0**	**10,523**	**63,395**
External sales, including:	11,831	17,868	15,344	6,282	1,547	53,423		10,523	63,946
- sales to customers who account for 10% or more of total segment revenue	5,047	13,224	6,734	5,825	1,455	32,286		3,782	36,068
Inter-segment sales						0			0
Total costs and expenses	**(9,493)**	**(9,733)**	**(11,928)**	**(4,268)**	**(1,097)**	**(36,519)**	0	**(7,993)**	**(44,512)**
General and administrative expenses								(13,135)	(13,135)
Selling costs								(4,675)	(4,675)
Operating income								1,612	1,612
Operating expenses								(1,169)	(1,169)
Profit (loss) on continuing operations before tax and finance expenses	**2,337**	**8,135**	**3,416**	**2,014**	**450**	**16,352**	**-**	**-**	**1,515**
Finance income								3,633	3,633
Net finance expenses								(11,516)	(11,516)
Share of profits of associates								6,229	6,229
Pre-tax profit (loss)									**(138)**
Income tax									1,562
Profit (loss) on discontinued operations							(366)		(366)
Net profit (loss) for period									**1,057**

3. GEOGRAPHICAL SEGMENTS – H1 2010

Item	EU	Russia, Belarus i Ukraine	Other	US	Asia	Poland	Total
Total revenue	**30,704**	**246**	**346**	**16,288**	**6,892**	**10,457**	**64,933**
External sales – continuing operations	30,704	246	346	16,288	6,892	10,457	64,933
External sales – discontinued operations	-	-	-	-	-	-	**0**

GEOGRAPHICAL SEGMENTS – H1 2009

Item	EU	Russia, Belarus and Ukraine	Other	US	Asia	Poland	Total
Total segment revenue	**29,683**	**6,920**	**3,553**	**9,912**	**4,188**	**9,139**	**63,395**
External sales – continuing operations	29,683	6,920	3,553	9,912	4,188	9,139	63,395
External sales – discontinued operations	-	-	-	-	-	-	-

4. FINANCE INCOME AND EXPENSES

FINANCE INCOME	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Interest income	67	135
Profit on derivative instruments at maturity		
Balance-sheet valuation of derivative instruments	246	3,498
Net foreign exchange gains	1,523	-
Other		
Total finance income	**1,837**	**3,633**

FINANCE EXPENSES	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Interest on bank loans	78	163
Finance charge in finance leases		
Loss on derivative instruments at maturity	261	9,752
Balance-sheet valuation of derivative instruments		
Net foreign exchange losses		1,603
Other	222	
Total finance expenses	**561**	**11,516**

5. DISCONTINUED OPERATIONS

On July 21st 2010, the Board of Directors of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. adopted a resolution to resale to the Chinese shareholder Tianjin Kama Electric Thermal Equipment Manufacturing Co., Ltd. a 25% equity interest in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. held by SECO/WARWICK Corp. for USD 300 thousand and a 25% equity interest held by SECO/WARWICK S.A., also for USD 300 thousand. It was determined that the share purchase agreement should be finalised by September 30th 2010. The President of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. was put under the obligation to change the Company's name by October 31st 2010. If the share purchase agreement is not finalised by September 30th 2010, the Board of Directors will renegotiate its terms in accordance with the Company's articles of association. If the company's name is not changed by October 31st 2010, the Board of Directors will dissolve SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. As at June 30th 2010, the Company recognised an impairment loss on the net assets in order to bring their value to the resale price of the shares, i.e. USD 600 thousand. As at the balance-sheet date, the impairment loss stood at PLN -373 thousand. The impairment loss may change, depending on how the resale of shares in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. shares proceeds.

In the period January 1st – June 30th 2010, assets classified as held for sale amounted to PLN 5,628 thousand.

In the period January 1st – June 30th 2010, liabilities classified as held for sale amounted to PLN 2,836 thousand.

The table below presents financial results on discontinued operations in H1 2010 and H2 2009:

Item	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Revenue	449	554
Expenses	(724)	(908)
Gross profit/(loss)	**(275)**	**(354)**
Net finance income/expenses	0	-13
Pre-tax profit/(loss)	**(275)**	**(366)**
Net loss on revaluation from carrying value to fair value less cost to sell	(373)	
Pre-tax profit / loss on discontinued operations	**(648)**	**(366)**
Corporate income tax:		
- relating to pre-tax profit/(loss)		
- relating to measurement at fair value less cost to sell		
Net loss attributable to discontinued operations	**(648)**	**(366)**

Net cash provided by/used in discontinued operations:

Item	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Cash provided by/used in operating activities	152	395
Cash provided by/used in investing activities	(42)	(24)
Cash provided by/used in financing activities	(250)	(541)
Net cash provided by/used in discontinued operations	**(140)**	**(170)**
Earnings per share:	-0.07	-0.04

6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares by the weighted average number of outstanding ordinary shares in that period.

Diluted earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible to ordinary shares) by the weighted average number of outstanding ordinary shares in that period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible to ordinary shares).

Item	Jun 30 2010	Jun 30 2009

Net profit on continuing operations attributable to shareholders	(3,840)	1,057,,
Loss on continuing operations attributable to shareholders		,
Net profit attributable to owners of the parent	(3,840)	1,057
Interest on redeemable preference shares convertible to ordinary shares		,
Net profit attributable to ordinary shareholders, used to calculate diluted earnings per share	**(3,840)**	**1,057**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	9,572,003	9,572,003
Dilutive effect:		
Stock options		
Redeemable preference shares		
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	9,572,003	9,572,003
Earnings per share	(0.40)	0.11
Earnings per share from discontinued operations (PLN)	(0.07)	(0.04)

7. PROPERTY, PLANT AND EQUIPMENT

Item	Jun 30 2010	Dec 31 2009	Jun 30 2009
Tangible assets	41,797	42,303	45,648
Tangible assets under construction	5,752	3,528	2,285
Prepayments for tangible assets under construction			
Property, plant and equipment	**47,549**	**45,831**	**47,933**

Changes in property, plant and equipment (by type) between January 1st and June 30th 2009

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2009	**2,361**	**25,915**	**23,930**	**4,344**	**2,722**	**59,272**
Increase, including:	**0**	**333**	**50**	**305**	**28**	**716**
assets acquired		243	50	153	28	**474**
assets generated internally		90				**90**
lease agreements concluded				152		**152**
other						
Decrease, including:	**-**	**-**	**59**	**19**	**-**	**78**
disposal	-	-	38	19	-	**57**
liquidation	-	-	21	-	-	**21**
other	-	-	-	-	-	
Gross carrying value as at Jun 30 2009	**2,361**	**26,248**	**23,921**	**4,630**	**2,750**	**59,910**
Cumulative depreciation as at Jan 1 2009	**-**	**3,070**	**7,681**	**1,676**	**955**	**13,382**
Increase, including:	-	435	1,277	303	135	**2,149**
depreciation	-	435	1,277	303	135	**2,149**
revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**30**	**19**	**-**	**49**
sale	-	-	17	19	-	**36**
liquidation	-	-	13	-	-	**13**
revaluation	-	-	-	-	-	**-**
Cumulative depreciation as at Jun 30 2009	**-**	**3,505**	**8,928**	**1,960**	**1,090**	**15,482**
Impairment loss as at Jan 1 2009	**-**	**-**	**-**	**-**	**-**	**-**
Impairment loss as at Jun 30 2009	**-**	**-**	**-**	**-**	**-**	**-**
Net exchange differences on translation of financial statements into presentation currency	49	676	415	71	9	1 220
Net carrying value as at Jun 30 2009	**2,410**	**23,419**	**15,408**	**2,741**	**1,669**	**45,648**

Changes in property, plant and equipment (by type) between January 1st and December 31st 2009:

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2009	**2,361**	**25,915**	**23,930**	**4,344**	**2,722**	**59,272**
Increase, including:	**-**	**736**	**248**	**313**	**32**	**1 329**
Assets acquired	-	611	208	313	32	1 164
Assets generated internally	-	125	40	-	-	165
lease agreements concluded	-	-	-	-	-	-
Other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**807**	**141**	**2**	**950**
disposal			772	46	-	**818**
liquidation			35	95	2	**132**
Other	-	-	-	-	-	-
Gross carrying value as at Dec 31 2009	**2,361**	**26,651**	**23,371**	**4,516**	**2,752**	**59,651**
Cumulative depreciation as at Jan 1 2009	**-**	**3,070**	**7,681**	**1,676**	**955**	**13,382**
Increase, including:	**-**	**854**	**2,396**	**589**	**262**	**4,101**
depreciation	-	854	2,396	589	262	4,101
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**242**	**89**	**2**	**333**
sale	-	-	214	40	-	254
liquidation	-	-	28	49	2	79
revaluation	-	-	-	-	-	-
Cumulative depreciation as at Dec 31 2009	**-**	**3,924**	**9,836**	**2,176**	**1,215**	**17,150**
Impairment loss as at Jan 1 2009	**-**	**-**	**-**	**-**	**-**	**-**
Impairment loss as at Dec 31 2009	**-**	**-**	**-**	**-**	**-**	**-**
Net exchange differences on translation of financial statements into presentation currency	-12	-12	-183	8	0	-199
Net carrying value as at Dec 31 2009	**2,349**	**22,715**	**13,352**	**2,348**	**1,538**	**42,303**

Changes in property, plant and equipment (by type) between January 1st and June 30th 2010

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2010	**2,361**	**26,651**	**23,371**	**4,516**	**2,752**	**59,651**
Increase, including:	**-**	**53**	**296**	**336**	**154**	**839**
assets acquired	-	15	296	336	154	801
assets generated internally	-	38	0	0	0	**38**
lease agreements concluded	-	-	-	-	-	-
Decrease, including:	**-**	**761**	**315**	**203**	**96**	**1,375**
disposal	,	,	36	35	46	**117**
liquidation	,	,	35	0	2	**37**
Loss of control over SECO/WARWICK Tianjin	-	761	244	168	48	**1,221**
Gross carrying value as at Jun 30 2010	**2,361**	**26,704**	**23,596**	**4,817**	**2,858**	**60,336**
Cumulative depreciation as at Jan 1 2010	**-**	**3,924**	**9,836**	**2,176**	**1,215**	**17,150**
Increase, including:	**-**	**456**	**1,207**	**287**	**139**	**2,088**
depreciation	-	456	1,207	287	139	2,088
revaluation	-	-	-	-	-	-
Decrease, including:	**-**	**94**	**111**	**46**	**34**	**284**
sale	-	-	23	15	15	**53**
liquidation	-	-	35	0	2	**37**
Loss of control over SECO/WARWICK Tianjin	-	94	53	31	17	**194**
Cumulative depreciation as at Jun 30 2010	**-**	**4,380**	**10,984**	**2,448**	**1,337**	**19,148**
Impairment loss as at Jan 1 2010	**-**	**-**	**-**	**-**	**-**	**-**
Impairment loss as at Jun 30 2010	**-**	**-**	**-**	**-**	**-**	**-**
Net exchange differences on translation of financial statements into presentation currency	90	988	501	6	47	1,632
Net carrying value as at Jun 30 2010	**2,451**	**22,666**	**12,936**	**2,247**	**1,496**	**41,797**

Tangible Assets under Construction:

Tangible assets under construction as at Jan 1 2009	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2009*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
829	**2,221**	333	33	141	20	238	**2,285**

Tangible assets under construction as at Jan 1 2009	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2009*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
829	**4,010**	735	177	141	20	238	**3,528**

Tangible assets under construction as at Jan 1 2010	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2010*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
3,528	**2,738**	52	227	137	18	80	**5,752**

As at June 30th 2010 and December 31st 2009, the Group carried no tangible assets held for sale.

8. IMPAIRMENT LOSSES ON ASSETS

The SECO/WARWICK Group did not recognise any impairment losses on property, plant and equipment, intangible assets and reversals of impairment losses in the periods under review.

As at June 30th 2010, trade receivables of PLN 943 thousand (PLN 1,063 thousand as at December 31st 2009; PLN 891 thousand as at June 30th 2009) were classified as unrecoverable and an appropriate impairment loss was recognised.

9. INVENTORIES

Item	Jun 30 2010	Dec 31 2009	Jun 30 2009
Materials (at cost)	15,392	12,785	16,205
Semi-finished products and work in progress	1,970	2,160	1,696
Finished products	1,668	1,084	209
Goods for resale	6	6	9
Total inventories (carrying value)	**19,034**	**16,035**	**18,118**
Impairment loss on inventories	1,171	1,092	1,176
Inventories, gross	**20,206**	**17,127**	**19,294**

CHANGES IN IMPAIRMENT LOSSES ON FINISHED PRODUCTS

IMPAIRMENT LOSSES	Jun 30 2010	Dec 31 2009	Jun 30 2009
Opening balance	**1,092**	**1,311**	**1,311**
Increase, including:	**-**		**-**
- impairment losses recognised in correspondence with other operating expenses			
Decrease, including:	**2**	**203**	**167**
- impairment losses reversed in correspondence with other operating income	2	203	167
Net exchange differences on translation of financial statements into presentation currency	81	-17	32
Closing balance	**1,171**	**1,092**	**1,176**

10. DIVIDENDS PROPOSED OR APPROVED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

No dividends were paid in 2010 or 2009. By the date of publication of these financial statements, no resolutions concerning dividend were adopted.

11. GOODWILL

The table below presents increases/decreases in goodwill in connection with the consolidation of subsidiary SECO/WARWICK Corporation using the full consolidation method.

Item	*Jun 30 2010*	*Dec 31 2009*	*Jun 30 2009*
Consolidation goodwill at beginning of period	4,284	4,452	4,452
Increase in consolidation goodwill – acquisition	-		-
Exchange differences on translation of goodwill	819	-168	318
Decrease in goodwill – recognised impairment losses			-
Decrease in goodwill – sale			-
Total goodwill at end of period	**5,103**	**4,284**	**4,770**

12. INVESTMENTS IN SUBORDINATED UNDERTAKINGS

Investments in subsidiaries, jointly controlled entities and associates accounted for using the equity method

Name	Carrying value of shares as at Jun 30 2010	% of share capital held	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
Elterma S.A.	7,657	100%	100%	full method	45,256	15,355	20,165	(2,244)
SECO/WARWICK Corporation	21,806	100%	100%	full method	29,174	4,292	15,737	(3,005)
SECO/WARWICK Moscow	172	100%	100%	full method	978	30	283	4
SECO/WARWICK Tianjin	1,018	50%	50%	proportional method	6,001	2,836	446	(275)
RETECH	16,597	50%	50%	equity method	37,360	10,365	31,699	1,079
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	40,031	24,808	25,887	2,120
SECO/WARWICK Retech	1,751	75%	75%	full method	4,238	821	0	0

Name	Carrying value of shares as at Dec 31 2009	% of share capital held	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
LZT Elterma S.A.	7,657	100%	100%	full method	34,708	9,863	27,673	(2,510)
SECO/WARWICK Corporation	21,806	100%	100%	full method	24,596	13,476	23,365	(4,365)
SECO/WARWICK Moscow	172	100%	100%	full method	1,107	282	1,524	627
SECO/WARWICK Tianjin	1,481	50%	50%	proportional method	9,633	3,836	1,810	(1,424)
RETECH	16,597	50%	50%	equity method	35,824	10,738	116,929	13,603
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	29,555	18,760	40,192	409

Name	Carrying value of shares as at Jun 30 2009	% of share capital held	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
Elterma S.A.	7,657	100%	100%	full method	41,603	2,841	15,753	(547)
SECO/WARWICK Corporation	21,806	100%	100%	full method	29,711	29	12,857	(2,329)
SECO/WARWICK Moscow	172	100%	100%	full method	669	6	281	11
SECO/WARWICK Tianjin	1,481	50%	50%	proportional method	11,016	533	1,103	(733)
RETECH	16,597	50%	50%	equity method	56,823	23,678	81,491	11,654
SECO/WARWICK ALLIED	10,995	50%	50%	Equity method	34,638	23,611	25,343	805

13. LONG-TERM CONTRACTS

Item	Jun 30 2010	Dec 31 2009	Jun 30 2009
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	55,805	58,151	57,507
Advances received	(48,714)	(32,845)	(43,863)
Excess of received advances over revenue recognised using the percentage of completion method	11,640	3,652	4,587
Contract settlement, total	**18,731**	**28,958**	**18,232**

14. INVESTMENT COMMITMENTS

As at June 30th 2010, the Group had capital commitments of PLN 183 thousand for expenditure related to acquisition of property, plant and equipment. As at the end of 2009, investment commitments stood at PLN 52 thousand, and as at the end of H1 2009 – at PLN 52 thousand as well. These amounts were used to purchase new plant and equipment.

As at June 30th 2010, SECO/WARWICK S.A. had investment commitments of PLN 1,388 thousand (PLN 1,142 thousand as at December 31st 2009) towards SECO/WARWICK ALLIED Pvt. LTD. The commitments arose under the share purchase agreement concerning shares in the company.

15. LOANS

In 2009 and 2010, no loans were advanced to Management and Supervisory Board Members within the Group.

	Jun 30 2010	Dec 31 2009	Jun 30 2009
Increase in loans advanced, including:	8	3	8
- long-term loans	1		3
- short-term loans	7	3	5

On February 22nd 2010, SECO/WARWICK S.A. advanced a PLN 4,000 thousand loan to its subsidiary LZT ELTERMA S.A.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Jun 30 2010		Dec 31 2009		Jun 30 2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments		2,664	143,	1,772	0	10,788
Total financial assets and liabilities at fair value through profit or loss		**1,525**	**143**	**1,772**		**10,788**
- non-current		29				
- current		1,496	143	1,772		10,788
Total financial assets and liabilities at fair value through equity		**1,139**				
- non-current						
- current		1,139				

Disclosures Concerning Derivative Financial Instruments which Meet the Hedge Accounting Criteria

In H1 2010, SECO/WARWICK S.A. hedged export cash flows denominated in the euro and cash flows denominated in the US dollar and the British pound using currency forwards. The purpose was to ensure that the budgeted exchange rates for contracts are met. Any changes in the value of the EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria in accordance with par. 88 of IAS 39 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects the income statement, any negative valuation previously recognised in equity is reclassified into the income statement. Fair value of currency forward contracts was determined by the Bank which is party to the transaction.

The table below presents details of each hedging relationship as at June 30th 2010.

	Nominal amount of contract (EUR '000)	Notional amount of hedging instrument (EUR '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	427	300	28	28	0	Jul 30 2010
2	251	190	-22	-18	-4	Aug 31 2010
3	283	283	-42	-8	-34	Dec 31 2010
4	185	185	-28	-19	-9	Dec 31 2010
5	28	28	-4	-4	0	Dec 31 2010
6	1,667	1,250	-224	-70	-154	Dec 31 2010
7	893	670	-119	-9	-110	Feb 25 2011
8	1,345	320	-68	-10	-58	Mar 30 2011
9	369	260	-56	-8	-48	Jan 31 2011
10	200	140	-29	-25	-4	Jul 29 2011
11	148	100	-22	-3	-19	Dec 31 2010
12	1,325	850	-184	-3	-181	May 31 2011
13	1,200	900	-2	-2	0	Sep 16 2010
14	600	600	-5	-4	-1	Sep 16 2010
TOTAL	**8,921**	**6,076**	**-777**	**-156**	**-621**	

	Nominal amount of contract (USD '000)	Notional amount of hedging instrument (USD '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1.	652	400	-237	-187	-50	Sep 30 2010
2.	248	190	-98	-91	-7	Sep 30 2010
3.	580	435	-212	-8	-204	Jan 31 2011
TOTAL	**1,480**	**1,025**	**-547**	**-286**	**-261**	

	Nominal amount of contract (GBP '000)	Notional amount of hedging instrument (GBP '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1.	285	200	-109	-88	-21	Oct 29 2010
2.	405	365	-291	-56	-235	Dec 31 2010
TOTAL	**690**	**565**	**-400**	**-144**	**-256**	

Disclosures Concerning Derivative Financial Instruments not Designated for Hedge Accounting

On February 26th 2010, SECO/WARWICK S.A. and BRE Bank S.A. executed an agreement on zero-cost collars conferring the right to sell the euro at the EUR/PLN exchange rate not lower than 3.96 and not higher than 4.23. As at June 30th 2010, SECO/WARWICK S.A. was under the obligation to sell EUR 3,150 thousand . The purpose of entering into forward transactions was to ensure that the budgeted exchange rate for the contract is met. As at the balance sheet-date, the fair value of the financial instrument was PLN -439 thousand .

Disclosures Concerning Expected Cash Flows and Maturities of Currency Forward Contracts (FX Forwards)

Jun 30 2010	Total notional amount of FX forwards (EUR '000)	Cash Flow signed contracts (EUR '000)
Jul 10	300	1,555
Aug 10	190	1,496
Sep 10	1,500	1,340
Dec 10	1,846	544
Jan 11	260	6,122
Feb 11	670	91
Mar 11	320	458
May 11	850	15
Jul 11	140	0
TOTAL (EUR)	**6,076**	**11,621**
Jun 30 2010	**Total notional amount of FX forwards (USD '000)**	**Cash Flows from signed contracts (USD '000)**
Sep 10	590	1,022
Jan 11	435	1,248
TOTAL (USD)	**1,025**	**2,270**
Jun 30 2010	**Total notional amount of FX forwards (GBP '000)**	**Cash Flows from signed contracts (GBP '000)**
Oct 10	200	331
Dec 10	365	49
TOTAL (GBP)	**565**	**380**

On February 5th 2010, Lubuskie Zakłady Termotechniczne Elterma S.A. entered into the following currency options with BRE BANK S.A. of Warsaw as part of a zero-cost collar strategy comprising:

- purchased PUT option for EUR 700 thousand, with the exercise price of EUR/PLN 4.0000, maturing on August 26th 2010;
- sold CALL option for EUR 700 thousand, with the exercise price of EUR/PLN 4.2650, maturing on August 26th 2010;
- purchased PUT option for EUR 700 thousand, with the exercise price of EUR/PLN 4.0000, maturing on October 21st 2010;
- sold CALL option for EUR 700 thousand, with the exercise price of EUR/PLN 4.2650, maturing on October 21st 2010;
- purchased PUT option for EUR 600 thousand, with the exercise price of EUR/PLN 4.0000, maturing on November 10th 2010;
- sold CALL option for EUR 600 thousand, with the exercise price of EUR/PLN 4.2650, maturing on November 10th 2010;

On February 5th 2010, Lubuskie Zakłady Termotechniczne Elterma S.A. entered into the following currency options with BZ WBK S.A. of Wrocław as part of a zero-cost collar strategy comprising:

- purchased PUT option for EUR 600 thousand, with the exercise price of EUR/PLN 4.0000, maturing on February 25th 2011;
- sold CALL option for EUR 600 thousand, with the exercise price of EUR/PLN 4.4300, maturing on February 25th 2011;
- purchased PUT option for EUR 800 thousand, with the exercise price of EUR/PLN 4.0000, maturing on November 25th 2011;
- sold CALL option for EUR 800 thousand, with the exercise price of EUR/PLN 4.3400, maturing on November 25th 2011;
- purchased PUT option for EUR 800 thousand, with the exercise price of EUR/PLN 4.0000, maturing on December 14th 2011;
- sold CALL option for EUR 800 thousand, with the exercise price of EUR/PLN 4.3400, maturing on December 14th 2011;

On May 6th 2010, Lubuskie Zakłady Termotechniczne Elterma S.A. entered into the following currency options with BRE BANK S.A. of Warsaw as part of a zero-cost collar strategy comprising:

- purchased PUT option for EUR 500 thousand, with the exercise price of EUR/PLN 4.0000, maturing on July 28th 2010;
- sold CALL option for EUR 500 thousand, with the exercise price of EUR/PLN 4.1000, maturing on July 28th 2010;

Lubuskie Zakłady Termotechniczne Elterma S.A. entered into the following currency FORWARD transactions with BRE BANK S.A. of Warsaw:

- on May 19th 2010 – a USD 200 thousand transaction with the exercise price of 3.3400 on August 26th 2010;
- on May 20th 2010 – a USD 100 thousand transaction with the exercise price of 3.3660 on August 26th 2010;
- on May 25th 2010 – a USD 100 thousand transaction with the exercise price of 3.3785 on August 26th 2010;

On June 4th 2010, Lubuskie Zakłady Termotechniczne Elterma S.A. entered into the following currency options with BZ WBK S.A. of Wrocław as part of a zero-cost collar strategy comprising:

- purchased PUT option for EUR 375 thousand, with the exercise price of EUR/PLN 4.0000, maturing on August 12th 2010;
- sold CALL option for EUR 375 thousand, with the exercise price of EUR/PLN 4.2100, maturing on August 12th 2010;

- purchased PUT option for EUR 1,125 thousand, with the exercise price of EUR/PLN 4.000, maturing on March 31st 2011;
- sold CALL option for EUR 1,125 thousand, with the exercise price of EUR/PLN 4.3840, maturing on March 31st 2011;
- purchased PUT option for EUR 1,000 thousand, with the exercise price of EUR/PLN 4.0000, maturing on August 31st 2011;
- sold CALL option for EUR 1,000 thousand, with the exercise price of EUR/PLN 4.4660, maturing on August 31st 2011.

Fair value of the financial instruments as at the balance-sheet date is PLN -501 thousand.

The total value of all executed currency transactions was EUR 7,200 thousand (PLN 29,467 thousand at the mid-exchange rate quoted by the National Bank of Poland for the transaction dates) and USD 400 thousand (PLN 1,339 thousand at the average exchange rate quoted by the National Bank of Poland as at the transaction dates).
The purpose of entering into the currency options was to ensure that the budgeted exchange rate for signed contracts was met.

Disclosures Concerning Expected Cash Flows and Maturities of Currency Forward Contracts (FX Forwards)

Jun 30 2010	Total notional amount of FX forwards (EUR '000)	Cash flows from signed contracts (EUR '000)
Jul 10	500	1,585
Aug 10	1 075	740
Sep 10		131
Oct 10	700	1,640
Nov 10	600	461
TOTAL (EUR)	**2,875**	**4,557**
Feb 11	600	820
Mar 11	1,125	1,117
Apr 11		37
May 11		175
Sep 11		418
Nov 11	800	1,600
Dec 11	800	320
TOTAL (EUR)	**4,325**	**6,350**
Jun 30 2010	**Total notional amount of FX forwards (USD '000)**	**Cash Flows from signed contracts (USD '000)**
Aug 10	400	7
Sep 10		380
Oct 10		44
TOTAL (USD)	**400**	**430**

17. CORRECTIONS OF MATERIAL ERRORS

No corrections of material errors concerning the financial statements for previous periods were included in these interim consolidated financial statements. No such errors were found.

18. OFF-BALANCE SHEET ITEMS

Contingent liabilities under guarantees and sureties:

Jun 30 2009	Bank Name	Type of guarantee	Currency	*Amount*	*AMOUNT (PLN)**	Company Name
Guarantee 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	EUR	62	276	
Guarantee 3	BH	CRB	USD	300	952	
Guarantee 4	BRE	PBG	EUR	65	291	
Guarantee 5	BRE	APG	EUR	409	1,826	
Guarantee 6	BRE	PBG	EUR	67	297	
Guarantee 7	BRE	APG	USD	762	2,417	
Guarantee 8	RCB	APG	EUR	316	1,412	
Guarantee 9	BRE	PBG	EUR	37	164	
Guarantee 10	BRE	PBG	EUR	200	894	
Guarantee 11	BRE	APG	EUR	521	2,326	
Guarantee 12	BRE	APG	EUR	809	3,614	
Guarantee 13	BRE	APG	PLN	268	268	
Guarantee 14	BRE	PBG	EUR	184	823	
Guarantee 15	BRE	PBG	EUR	140	625	
Guarantee 16	BRE	APG	PLN	610	610	
Guarantee 17	BRE	PBG	PLN	766	766	LZT Elterma
Guarantee 18	BRE	PBG	EUR	41	184	
Guarantee 19	BRE	CRB	USD	71	316	
Guarantee 20	BRE	PBG	EUR	23	103	
Guarantee 21	HUNTINGTON	PBG	USD	313	993	SWC
TOTAL				**5,999**	**19,192**	

* The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for June 30th 2009.

Dec 31 2009	Bank Name	Type of guarantee	Currency	*Amount*	*AMOUNT (PLN)***	Company Name
Guarantee 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guarantee 2	BH	CRB	USD	300	855	
Guarantee 3	BRE	PBG	EUR	65	267	
Guarantee 4	BRE	APG	EUR	409	1,679	
Guarantee 5	BRE	PBG	EUR	200	822	
Guarantee 6	BRE	APG	EUR	809	3,322	
Guarantee 7	BRE	APG	PLN	268	268	
Guarantee 8	BRE	PBG	EUR	184	757	
Guarantee 9	BRE	PBG	EUR	140	575	
Guarantee 10	BRE	APG	PLN	610	610	
Guarantee 11	BRE	PBG	EUR	174	713	
Guarantee 12	BRE	APG	EUR	144	592	
Guarantee 13	BRE	PBG	EUR	12	48	
Guarantee 14	BRE	APG	EUR	409	1,679	
Guarantee 15	BRE	PBG	EUR	159	651	

Guarantee 16	BRE	PBG	EUR	117	479	
Guarantee 17	BRE	PBG	PLN	766	766	LZT Elterma
Guarantee 18	BRE	PBG	EUR	41	169	
Guarantee 19	BRE	PBG	EUR	23	94	
Guarantee 20	BRE	APG	EUR	647	2658	
Guarantee 21	BRE	PBG	EUR	172	707	
Guarantee 22	HUNTINGTON	PBG	USD	313	892	SECO/ WARWICK Corp.
Guarantee 23	HUNTINGTON	PBG	USD	202	576	
Guarantee 24	HUNTINGTON	PBG	USD	38	108	
TOTAL					**19,320**	

** The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2009.

Jun 30 2010	**Bank Name**	**Type of guarantee**	**Currency**	***Amount***	***AMOUNT (PLN)****	**Company Name**
Guarantee 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guarantee 2	BRE	APG	EUR	409	1,694	
Guarantee 3	BRE	PBG	EUR	200	829	
Guarantee 4	BRE	PBG	EUR	184	764	
Guarantee 5	BRE	PBG	EUR	140	580	
Guarantee 6	BRE	PBG	EUR	174	719	
Guarantee 7	BRE	PBG	EUR	12	49	
Guarantee 8	BRE	PBG	EUR	159	657	
Guarantee 9	BRE	PBG	EUR	117	483	
Guarantee 10	BH	APG	GBP	29	145	
Guarantee 11	HSBC	APG	GBP	121	619	
Guarantee 12	BRE	APG	EUR	135	558	
Guarantee 13	BH	APG	GBP	57	290	
Guarantee 14	BH	APG	EUR	597	2,473	
Guarantee 15	BH	APG	EUR	1,100	4,560	
Guarantee 16	HSBC	PBG	PLN	850	850	
Guarantee 17	BRE	APG	EUR	85	352	
Guarantee 18	BRE	APG	EUR	56	230	
Guarantee 19	BRE	APG	EUR	95	392	
Guarantee 20	BRE	APG	EUR	126	523	
Guarantee 21	BZ WBK S.A.	APG	EUR	640	2,653	LZT Elterma
Guarantee 22	BZ WBK S.A.	APG	PLN	1,000	1,000	
Guarantee 23	BZ WBK S.A.	APG	PLN	3,006	3,006	
Guarantee 24	BZ WBK S.A.	PBG	PLN	859	859	
Guarantee 25	BRE	APG	EUR	373	1,544	
Guarantee 26	HUNTINGTON	PBG	USD	313	1,063	SECO/ WARWICK Corp.
Guarantee 27	HUNTINGTON	PBG	USD	202	686	
Guarantee 28	HUNTINGTON	PBG	USD	53	181	
TOTAL					**27,794**	

*** The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for June 30th 2010.

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

Information on guarantees received as at June 30th 2009, December 31st 2009 and June 30th 2010 is presented in the tables below:

Company name	Bank name	Type of guarantee	Currency	*Amount*	*PLN**
SECO/WARWICK S.A.	Millennium	WG	PLN	200	200
LZT ELTERMA	PZU S.A.	Claim repayment insurance guarantee	EUR	451	2,018
TOTAL					**2,218**

* The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for June 30th 2009.

Company name	Bank name	Type of guarantee	Currency	*Amount*	*PLN***
SECO/WARWICK S.A.	PEKAO S.A.	WG	PLN	402	402
TOTAL					**402**

** The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2009.

Company name	Bank name	Type of guarantee	Currency	*Amount*	*PLN****
SECO/WARWICK S.A.	Nordea	PBG	PLN	72	72
TOTAL					**72**

*** The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for June 30th 2010.

WG→ warranty guarantee (guarantee of proper performance of obligations under warranty)
PBG → performance bond guarantee

SURETIES ADVANCED BY SECO/WARWICK. S.A.

Company name	Bank name	Surety	Currency	As at Jun 30 2010	*AMOUNT (PLN)*
LZT ELTERMA	BZ WBK	Guarantee limit	PLN	2,500	2,500
ALLIED		Guarantee and credit limit	INR	147,500	10,728
TOTAL					**13,228**

On June 17th 2010, the Management Board of SECO/WARWICK S.A. held a meeting to decide whether to advance a credit facility surety to SECO/WARWICK Allied Pvt. Ltd. of Mumbai. SECO/WARWICK Pvt. Ltd. is an associate undertaking in which SECO/WARWICK S.A. holds a 50% interest. Under Indian law, credit lines must be secured with a surety advanced by shareholders. The Company's Management Board decided to advance a surety of INR 147,500 thousand . The surety has a form of a guarantee letter issued for the benefit of the Union Bank of India.

On March 18th 2010, SECO/WARWICK S.A. advanced a surety of up to PLN 2,500 thousand concerning amounts due from LZT ELTERMA to Bank BZ WBK S.A. under loans.

19. RESTRUCTURING PROVISION

In the period from June 30th 2009 to June 30th 2010, the SECO/WARWICK Group did not create provisions for restructuring costs.

20. SETTLEMENTS RELATED TO COURT CASES

In the opinion of the Parent Undertaking's Management Board, there are no material settlements related to court cases.

SECO/WARWICK S.A. intends to bring a court action against Nitrex Metal Inc. of Canada seeking payment of USD 268 thousand due for a PEGAT furnace delivered to the company.
Nitrex Metal Inc. claims that an amount of USD 299 thousand (as compensation for the furnace assembly work, which was covered by the contract for the delivery of the PEGAT furnace, as well as for other work necessary for the furnace start-up) should be set off the due amount specified above.
Further, in October 2009 Nitrex Metal Inc. reported a defect involving corrosion of most of the 15 furnace charge bearing units of the PEGAT furnace. No agreement was reached by the parties as to which of them was to bear the costs of repair and how the furnace was to be repaired, one of the underlying reasons being different opinions as to the cause of the defect. As far as we know, Nitrex Metal Inc. has probably repaired the furnace itself, based on its own concept. We do not know, however, what were the costs of the repair and whether it proved successful. No claims have so far been raised by Nitrex Metal Inc. in this respect.
It should be noted that while the suit for payment as such is a relatively simple and straightforward issue, potential counterclaims that may be brought by Nitrex Metal Inc. as well as the evidence Nitrex has in connection with the case make the entire dispute extremely difficult and its outcome uncertain. This is connected with the ambiguities that exist in this dispute regarding both the facts of the case and the legal interpretation. A risk exists therefore that the final verdict may prove unfavourable to SECO/WARWICK. All things considered, the Management Board estimates the chances of winning the case at 60:40.

21. RELATED PARTIES

Jun 30 2010							
Receivables Liabilities	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC
ELTERMA S.A.	X	1	144		763		
ELTUS	9	X					
SECO/WARWICK Corporation USA	18		X		270		
SECO/WARWICK Moscow	39			X			
SECO/WARWICK SA	2,538		101		X		135
SECO/WARWICK TIANJIN					6	X	
Retech Systems							X
Allied Consulting	75						

On February 22nd 2010, the parent undertaking advanced a PLN 4,000 thousand loan to LZT Elterma S.A.

Dec 31 2009							
Receivables / Liabilities	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC
ELTERMA S.A.	X				704		
ELTUS	127	X			3		
SECO/WARWICK Corporation USA	15		X	0			
SECO/WARWICK Moscow	39			X			
SECO/WARWICK SA	746				X	9	
SECO/WARWICK TIANJIN						X	
Retech Systems							X
Allied Consulting	207						

Jun 30 2009								
Receivables / **Liabilities**	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC	Allied
ELTERMA S.A.	**X**	4		123	685			
ELTUS	44	**X**			12			
SECO/WARWICK Corp.			**X**		222			
SECO/WARWICK Moscow	62			**X**				
SECO/WARWICK SA	1,633		165		**X**		1,407	191
SECO/WARWICK TIANJIN						**X**		
Retech Systems							**X**	
Allied Consulting	782							**X**

Jun 30 2010								
Sales revenue / Purchase	*SECO/WARWICK SA*	*Elterma*	*Telus*	*SECO/ WARWICK Moscow*	*SECO/ WARWICK Moscow*	*SECO/ WARWICK TIANJIN*	*RETECH*	*ALLIED*
SECO/WARWICK S.A.	X	1,887			93	0	274	19
Elterma S.A.	615	X	6					
Eltus sp. z o.o.	3	187	X					
SECO/WARWICK Moscow		332		X				
SECO/WARWICK Corp.*	66	12			X			
SECO/WARWICK TIANJIN	8					X		
RETECH	31						X	
ALLIED								X

Dec 31 2009								
Sales revenue / Purchase	*SECO/WARWICK SA*	*Elterma*	*Eltus*	*SECO/ WARWICK Moscow*	*SECO/ WARWICK Moscow*	*SECO/ WARWICK TIANJIN*	*RETECH*	*ALLIED*
SECO/WARWICK S.A.	X	1,264	12		388	10	98	0
Elterma S.A.	1,532	X	38	0				
Eltus sp. z o.o.	54	1,028	X					
SECO/WARWICK Moscow		573		X				
SECO/WARWICK Corp.*	0	130			X			
SECO/WARWICK TIANJIN	35	0				X		
RETECH	1,966						X	
ALLIED	0	1,392						X

Jun 30 2009								
Sales revenue / **Purchase**	***SECO/ WARWICK SA***	***Elterma***	***Telus***	***SECO/ WARWICK Moscow***	***SECO/ WARWICK Corp.***	***SECO/ WARWICK TIANJIN***	***RETECH***	ALLIED
SECO/WARWICK S.A.	**X**	755	12		196	5	7	
Elterma S.A.	521	**X**	19					
Eltus sp. z o.o.	31	502	**X**					
SECO/WARWICK Moscow		282		**X**				
SECO/WARWICK Corp.*		28			**X**			
SECO/WARWICK TIANJIN	35					**X**		
RETECH	1,948						**X**	
ALLIED		1,310						X

22. SEASONALITY OR CYCLICALITY OF OPERATIONS IN THE INTERIM PERIOD

The operations of the SECO/WARWICK Group are not subject to any material seasonality or cyclicality factors.

23. NON-ROUTINE EVENTS DUE TO THEIR TYPE, SCALE OR FREQUENCY

In the period covered by these interim condensed consolidated financial statements for H1 2010, there did not occur any events which would be non-routine due to their type, scale or frequency.

24. MATERIAL EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD AND NOT REFLECTED IN THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD

None.

Date: August 30th 2010

Leszek Przybysz
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

SECO/WARWICK S.A.

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST – JUNE 30TH 2010

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	As at Jun 30 2010	As at Dec 31 2009	As at Jun 30 2009
NON-CURRENT ASSETS	**99,200**	**91,746**	**91,827**
Property, plant and equipment	25,151	23,782	23,169
Investment property	442	448	455
Goodwill			
Intangible assets	8,307	7,619	5,764
Investments in subsidiary, jointly-owned and associated undertakings	58,977	58,707	58,707
Financial assets available for sale			
Other assets			
Loans advanced and receivables	4,000		
Prepayments and accrued income			
Deferred tax assets	2,323	1,190	3,732
CURRENT ASSETS	**60,226**	**63,706**	**76,518**
Inventories	8,952	8,361	11,193
Trade receivables	22,605	12,626	23,329
Other current receivables	3,870	3,262	2,709
Prepayments and accrued income	1,004	1,047	868
Financial assets at fair value through profit or loss			
Loans advanced and receivables			
Cash and cash equivalents	17,823	18,662	26,724
Contract settlements	5,974	19,748	11,695
ASSETS HELD FOR SALE	**1,018**		
TOTAL ASSETS	**160,444**	**155,452**	**168,345**

Equity and Liabilities	As at Jun 30 2010	As at Dec 31 2009	As at Jun 30 2009
EQUITY	**133,559**	**134,386**	**132,344**
Share capital	**3,471**	**3,471**	**3.471**
Statutory reserve funds	128,011	128,531	128,531
Other capitals	36	2	
Retained earnings/(deficit)	2,041	2,382	342
NON-CURRENT LIABILITIES	**6 371**	**6,545**	**6,537**
Loans and borrowings			
Financial liabilities	50	44	70
Other liabilities	494	406	1,168
Deferred tax liability	3,381	3,844	3,924
Provision for retirement and similar benefits	70	70	75
Provisions for liabilities			0
Accruals and deferred income	2,376	2,181	1,300
CURRENT LIABILITIES	**20 515**	**14,520**	**29,464**
Loans and borrowings			1,388
Financial liabilities	2,191	1,826	10,699
Trade payables	7,020	5,440	5,853
Taxes, customs duties and social security payable	1,440	1,177	1,063
Other current liabilities	2,056	1,774	2,260
Provision for retirement and similar benefits	346	586	667
Other provisions	1,123	1,580	847
Accruals and deferred income	6,338	2,138	6,733
LIABILITIES HELD FOR SALE			
TOTAL EQUITY AND LIABILITIES	**160,444**	**155,452**	**168,345**

Date: August 30th 2010
Prepared by:
Dorota Subsar

Leszek Przybysz
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Member of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

	Jan 1 – Jun 30 2010	Jan 1– Jun 30 2009
Net sales revenue, including:	**34,243**	**36,422**
Net revenue from sales of products	34,064	36,221
Net revenue from sales of goods for resale and materials	179	201
Cost of sales, including:	**(25,158)**	**(22,893)**
Cost of products sold	(25,039)	(22,751)
Cost of goods for resale and materials sold	(119)	(142)
Gross profit/(loss)	**9,084**	**13,529**
Other operating income	531	1,163
Selling costs	(2,316)	(1,968)
General and administrative expenses	(7,421)	(7,007)
Other operating expenses	(498)	(936)
Operating profit/(loss)	**(620)**	**4,781**
Finance income	1,717	1,906
Finance expenses	(912)	(8,891)
Pre-tax profit/(loss)	**185**	**(2,204)**
Corporate income tax	(123)	441
Net profit/(loss) from continuing operations	**62**	**(1,763)**
Profit/(loss) from discontinued operations		
Net profit/(loss) for financial year	**62**	**(1,763)**
Earnings per share (PLN)	0.01	(0.18)
Weighted average number of shares as at	**9,572,003**	**9,572,003**

OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	-1,139	1,746
Income tax relating to other comprehensive income	216	-332
Other comprehensive income, net	**-922**	**1,414**
Total comprehensive income	**-860**	**-349**

Date: August 30th 2010
Prepared by:
Dorota Subsar

Leszek Przybysz
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Member of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

INTERIM SEPARATE STATEMENT OF CASH FLOWS (PLN '000)

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
OPERATING ACTIVITIES		
Pre-tax profit/(loss)	**185**	**(2,204)**
Total adjustments:	**8,969**	**29,848**
Share of net profit of subordinated undertakings valued with equity method		
Depreciation and amortisation	1,253	1,299
Foreign exchange (gains)/losses	(89)	184
Interest and profit distributions (dividends)	15	41
(Profit)/loss on investing activities	896	7,346
Balance sheet valuation of derivative instruments	(747)	(1,804)
Change in provisions	(697)	(78)
Change in inventories	(591)	343
Change in receivables	(11,221)	21,593
Change in current liabilities, excluding financial liabilities	1,905	(5,613)
Change in accruals and deferrals	18,212	6,536
Other adjustments	33	
Cash from operating activities	**9,154**	**27,645**
Income tax (paid) / refunded	(868)	577
Net cash provided by (used in) operating activities	**8,286**	**28,222**
INVESTING ACTIVITIES		
Cash provided by investing activities	**0**	**4**
Proceeds from disposal of intangible assets and property, plant and equipment	0	4
Proceeds from disposal of financial assets		
Dividends and profit distributions received		
Repayment of non-current loans advanced		
Interest received		
Cash provided by derivative instruments		
Other cash provided by financial assets		
Cash used in investing activities	**9,425**	**10,835**
Investments in intangible assets, property, plant and equipment, and investment property	3,241	3,485
Acquisition of related undertakings	1,751	
Acquisition of financial assets	4,000	
Increase in long-term loans advanced		
Cash paid in connection with derivative instruments	433	7,350
Other cash used in investing activities		
Net cash provided by (used in) investing activities	**(9,425)**	**(10,831)**

FINANCING ACTIVITIES		
Cash provided by financing activities	**0**	**0**
Net proceeds from issue of shares, other equity instruments and additional contributions to equity		
Loans and borrowings		
Issue of debt securities		
Other cash provided by financing activities		
Cash used in financing activities	**36**	**66**
Acquisition of own shares		
Dividends and other distributions to owners		
Profit distributions other than to owners		
Repayment of loans and borrowings		
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	21	24
Interest paid	15	41
Other cash used in financing activities		
Net cash provided by (used in) financing activities	**(36)**	**(66)**
Total net cash flow	**(1,175)**	**17,325**
Balance-sheet change in cash, including:	**(840)**	**17,454**
- effect of exchange rate fluctuations on cash held	335	129
Cash at beginning of period	**18,495**	**9,048**
Cash at end of period, including:	**17,320**	**26,373**
- restricted cash		

Date: August 30th 2010
Prepared by:
Dorota Subsar

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INTERIM STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Reserve from revaluation of hedging instruments	Other capitals	Retained earnings/deficit	Non-controlling interests	Total equity
Six months ended Jun 30 2009							
Equity as at Jan 1 2009	**3,471**	**125,631**	**(2,211)**		**5,801**		**132,693**
Total comprehensive income for six months ended Jun 30 2009			1,414		(1,763)		**(349)**
Distribution of profit		2,899			(2,899)		
Equity as at Jun 30 2009	**3,471**	**128,531**	**(797)**		**1,139**	**0**	**132,344**
Twelve months ended Dec 31 2009							
Equity as at Jan 1 2009	**3,471**	**125,631**	**(2,211)**	**0**	**5,801**		**132,693**
Total comprehensive income for twelve months ended Dec 31 2009			2,211		(520)		1,691
Share-based payments				2			2
Distribution of profit		2,899			(2,899)		
Equity as at Dec 31 2009	**3,471**	**128,531**	**0**	**2**	**2,382**	**0**	**134,386**
Six months ended Jun 30 2010							
Equity as at Jan 1 2010	**3,471**	**128,531**	**0**	**2**	**2,382**	**0**	**134,386**
Total comprehensive income for six months ended Jun 30 2010			(922)		62		**(860)**
Share-based payments				33			**33**
Distribution of profit		-520			520		**0**
Equity as at Jun 30 2010	**3,471**	**128,011**	**(922)**	**35**	**2,964**	**0**	**133,559,**

Date: August 30th 2010
Prepared by: Dorota Subsar

Leszek Przybysz	Andrzej Zawistowski	Wojciech Modrzyk	Józef Olejnik	Witold Klinowski
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

SECO/WARWICK S.A.

SUPPLEMENTARY INFORMATION

TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30TH 2010

BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These semi-annual condensed separate financial statements have been prepared in accordance with IAS 34 and Art. 45.1a–1c of the Polish Accountancy Act (Dz.U. of 2002, No. 76, item 694, as amended), as well as the secondary legislation issued thereunder and 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 February 28th 2009), in line with the accounting policies applied to both current and comparable periods, published on April 30th 2009 in the separate annual report.

These condensed separate financial statements should be read in conjunction with the separate financial statements for 2009.

The presentation currency of these semi-annual condensed separate financial statements is the Polish złoty, and all figures are presented in thousands of złotys (PLN '000) unless stated otherwise.

Comparable data comprises the statements of financial position as at December 31st 2009 and June 30th 2009, the statement of comprehensive income and statement of cash flows for the six months ended June 30th 2009, and the statement of changes in equity for the six months ended June 30th 2009 and the twelve months ended December 31st 2009.

The presented financial data was subject to a review by a qualified auditor.

In preparing these condensed separate financial statements none of the published but not yet effective standards or interpretations have been applied.

These interim condensed separate financial statements for the six months ended June 30th 2010 were prepared on the assumption that the Company would continue as a going concern.

These interim condensed financial statements were prepared in accordance with the same accounting policies and computation methods as were applied to prepare the most recent annual financial statements. These policies are described in Section IV concerning the interim condensed consolidated financial statements.

In these interim condensed financial statements no significant changes occurred in the estimated amounts presented in previous interim periods of the current financial year or in previous financial years which would have a material effect on the current interim period.

1. FINANCE INCOME AND EXPENSES

FINANCE INCOME	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Interest income	124	102
Income from investments		-
Profit on derivative instruments at maturity		
Balance-sheet valuation of derivative instruments	747	1,804
Net foreign exchange gains	846	-
Other		
Total finance income	**1,717**	**1,906**

FINANCE EXPENSES	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Interest on bank loans	17	44
Bank commission		
Finance charge in finance leases		
Loss on derivative instruments at maturity	433	7,350
Revaluation of investments	463	
Net foreign exchange losses		1,497
Total finance expenses	**912**	**8,891**

2. PROPERTY, PLANT AND EQUIPMENT

Item	Jun 30 2010	Dec 31 2009	Jun 30 2009
Tangible assets	19,599	20,273	20,970
Tangible assets under construction	5,552	3,509	2,199
Prepayments for assets under construction			
Property, plant and equipment	**25,151**	**23,782**	**23,169**

Changes in property, plant and equipment (by type) between January 1st and June 30th 2009

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2009	**840**	**11,440**	**11,320**	**2,668**	**1,361**	**27,629**
Increase, including:	**-**	**243**	**33**	**141**	**20**	**437**
assets acquired		243	33	141	20	437
assets generated internally	-	-	-	-	-	-
lease agreements concluded	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**18**	**19**	**-**	**37**
disposal				19		19
liquidation			18			18
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Gross carrying value as at Jun 30 2009	**840**	**11,683**	**11,335**	**2,790**	**1,381**	**28,029**
Cumulative depreciation as at Jan 1 2009	**-**	**1,541**	**2,882**	**1,033**	**502**	**5,958**
Increase, including:	**-**	**230**	**654**	**175**	**71**	**1,130**
depreciation		230	654	175	71	1,130
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**11**	**19**	**-**	**30**
sale				19		19
liquidation			11			11
revaluation	-	-	-	-	-	-
Cumulative depreciation as at Jun 30 2009	**-**	**1,771**	**3,525**	**1,189**	**573**	**7,058**
Impairment loss as at Jan 1 2009	-	-	-	-	-	-
Increase, including:	-	-	-	-	-	-
Decrease, including:	-	-	-	-	-	-
Impairment loss as at Jun 30 2009	-	-	-	-	-	-
Net carrying value as at Jun 30 2009	**840**	**9,912**	**7,810**	**1,601**	**808**	**20,970**

Changes in property, plant and equipment (by type) between January 1st and December 31 2009

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2009	**840**	**11,440**	**11,320**	**2,668**	**1,361**	**27,629**
Increase, including:	**-**	**611**	**137**	**141**	**20**	**909**
assets acquired	-	611	137	141	20	**909**
assets generated internally	-	-	-	-	-	**-**
lease agreements concluded	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**27**	**113**	**-**	**140**
disposal	-	-	9	18	-	**27**
liquidation	-	-	18	95	-	**113**
revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Gross carrying value as at Dec 31 2009	**840**	**12,051**	**11,430**	**2,696**	**1,381**	**28,398**
Cumulative depreciation as at Jan 1 2009	**-**	**1,541**	**2,882**	**1,033**	**502**	**5,958**
Increase, including:	**-**	**465**	**1,312**	**333**	**139**	**2,249**
depreciation	-	465	1,312	333	139	**2,249**
revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**15**	**67**	**-**	**82**
sale	-	-	3	18	-	**21**
liquidation	-	-	12	49	-	**61**
revaluation	-	-	-	-	-	**-**
Cumulative depreciation as at Dec 31 2009	**-**	**2,006**	**4,179**	**1,299**	**641**	**8,125**
Impairment loss as at Jan 1 2009	**-**	**-**	**-**	**-**	**-**	**-**
Increase, including:	-	-	-	-	-	**-**
Decrease, including:	-	-	-	-	-	**-**
Impairment loss as at Dec 31 2009	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying value as at Dec 31 2009	**840**	**10 045**	**7 251**	**1 397**	**740**	**20 273**

Changes in property, plant and equipment (by type) between January 1st and June 30th 2010

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2010	**840**	**12,051**	**11,430**	**2,696**	**1,381**	**28,398**
Increase, including:	**-**	**15**	**227**	**136**	**18**	**396**
assets acquired	-	15	227	136	18	396
assets generated internally	-	-	-	-	-	-
lease agreements concluded	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**		**-**	**-**	**-**
disposal	-	-	-	-	-	-
liquidation	-	-	-	-	-	-
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Gross carrying value as at Jun 30 2010	**840**	**12,066**	**11,657**	**2,832**	**1,399**	**28,794**
Cumulative depreciation as at Jan 1 2010	**-**	**2,006**	**4,179**	**1,299**	**641**	**8,125**
Increase, including:	**-**	**241**	**612**	**150**	**67**	**1,070**
depreciation	-	241	612	150	67	1,070
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**-**	**-**	**-**	**-**
sale	-	-	-	-	-	-
liquidation	-	-	-	-	-	-
revaluation	-	-	-	-	-	-
Cumulative depreciation as at Jun 30 2010		**2,247**	**4,791**	**1,449**	**708**	**9,195**
Impairment loss as at Jan 1 2010	**-**	**-**	**-**	**-**	**-**	**-**
Increase, including:	-	-	-	-	-	-
Decrease, including:	-	-	-	-	-	-
Impairment loss as at Jun 30 2010	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying value as at Jun 30 2010	**840**	**9,819**	**6,866**	**1,383**	**691**	**19,599**

Tangible Assets Under Construction:

Tangible assets under construction as at Jan 1 2009	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Balance as at Jun 30 2009*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
708	**2,166**	243	33	141	20	238	**2,199**

Tangible assets under construction as at Jan 1 2009	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Balance as at Dec 31 2009*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
708	**3,948**	611	137	141	20	238	**3,509**

Tangible assets under construction as at Jan 1 2010	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Balance as at Jun 30 2010*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
3,509	**2,520**	15	227	137	18	80	**5,552**

As at June 30th 2010 and December 31st 2009, the Company carried no tangible assets held for sale.

3. IMPAIRMENT LOSSES ON ASSETS

In the reporting periods under analysis, SECO/WARWICK S.A. did not recognise any impairment losses on property, plant and equipment or intangible assets, or any reversal of such impairment losses.

SECO/WARWICK S.A. recognised an impairment loss of PLN 463 thousand on the shares held in SECO/WARWICK Tianjin.

As at June 30th 2010, trade receivables of PLN 677 thousand (at December 31st 2009: PLN 744 thousand and at June 30th 2008: PLN 728 thousand) were considered as uncollectible and covered by an impairment charge.

4. INVENTORIES

Item	Jun 30 2010	Dec 31 2009	Jun 30 2009
Materials (at cost)	8,054	7,435	9,874
Semi-finished products and work in progress	898	925	1,319
Finished products	-	-	-
Goods for resale	-	-	-
Total inventories (carrying value)	**8,952**	**8,360**	**11,193**
Impairment loss on inventories			
Inventories, gross	**8,952**	**8,360**	**11,193**

CHANGES IN IMPAIRMENT LOSSES ON INVENTORIES

Item	Jun 30 2010	Dec 31 2009	Jun 30 2009
Balance at beginning of period	**0**	**157**	**157**
Increase, including:	**-**	**-**	**-**
- impairment losses recognised in correspondence with other operating expenses	-	-	-
- transfers	-	-	-
Decrease, including:	**-**	**157**	**157**
- impairment losses reversed in correspondence with other operating income	-	157	157
- impairment losses used	-	-	-
- transfers	-	-	-
Balance of impairment losses on finished products at end of period	**-**	**0**	**0**

5. DIVIDENDS PROPOSED OR APPROVED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

No dividends were paid in 2010 or in 2009. By the date of publication of these financial statements, no resolutions concerning dividend were adopted.

6. LONG-TERM CONTRACTS

Item	Jun 30 2010	Dec 31 2009	Jun 30 2009
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	16,463	29,364	22,296
Advances received	13,879	9,845	13,295
Excess of received advances over revenue recognised using the percentage of completion method	3,390	229	2,693
Total assets under construction contracts in progress	**5,974**	**19,748**	**11,695**

7. INVESTMENT COMMITMENTS

As at June 30th 2010, SECO/WARWICK S.A. had investment commitments concerning property, plant and equipment in the amount of PLN 87 thousand. As at the end of 2009, investment commitments stood at PLN 25 thousand and as at the end of H1 2009 at PLN 18 thousand. The amounts were earmarked for the purchase of new plant and equipment.

As at June 30th 2010, SECO/WARWICK S.A. had investment commitments towards SECO/WARWICK ALLIED Pvt. LTD in the amount of PLN 1,388 thousand. (as at December 31st 2009: PLN 1,142 thousand). The commitments arose under the share purchase agreement concerning shares in the company.

8. SEASONALITY OR CYCLICALITY OF OPERATIONS IN THE INTERIM PERIOD

The operations of SECO/WARWICK S.A. are not subject to any material seasonality or cyclicality factors.

9. NON-ROUTINE EVENTS DUE TO THEIR TYPE, SCALE OR FREQUENCY

In the period covered by these interim condensed consolidated financial statements for H1 2010, there did not occur any events which would be non-routine due to their type, scale or frequency.

10. MATERIAL EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD AND NOT REFLECTED IN THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD

None.

Date: August 30th 2010

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