CAPITAL GROUP SECO/WARWICK

INTRODUCTION TO INTERIM, BRIEF, CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD FROM 1ST JANUARY TO 30TH JUNE 2009

CONTENTS

GENERAL INFORMATION

I. Data of parent entity

The Parent entity of the SECO/WARWICK Capital Group is SECO/WARWICK Spółka Akcyjna seated in Świebodzin. The Company was established on 2nd January 2007 under the decision of the District Court in Zielona Góra, VIII Business Department of the National Court Register, which entered the Company to the entrepreneurs register of the National Court Register under KRS number 0000271014.

Name:	SECO/WARWICK S.A.
Legal form:	Spółka akcyjna
Seat office	66-200 Świebodzin, ul. Sobieskiego 8
Basic subject of activity pursuant to PKD:	
29,21,Z	Manufacture of furnaces and furnace burners
29,24,B	Service activity in the field of installing, repair and maintenance of general purpose machines n.e.c. except for the service activity
29,24,A	Manufacture of other general purpose machinery n.e.c.
29,40,A	Production of machinetools
29,40,B	Installing, repair and maintenance of machinetools
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 machine-tools
51,70,Z	Other wholesale
74,20,A	Architectural and engineering activities and related technical consultancy
74,30,Z	Technical testing and analysis
73,10,G	Research and experimental development on natural sciences and engineering
KRS number:	KRS 0000271014
Statistical number REGON:	970011679

II. Duration of the Capital Group

SECO/WARWIC S.A. company and other entities of the Capital Group was established for unlimited period of time, except for the company SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd which was established for the specified period of time 50 years.

III. Presented periods

The presented consolidated financial statement was prepared for the period from 01.01.2009 to 30.06.2009. The comparable data are presented:

- **pursuant to state as for 31st December 2008 and 30th June 2008 for the consolidated financial statement,**
- **for the period from 1st January 2008 to 30th June 2008 for the consolidated statement of comprehensive income statement, shortened profit and loss account and consolidated statement on cash-flow,**
- **for the period from 1st January 2008 to 30th June 2008 and for the period from 1st January 2008 to 31st December 2008 for the consolidated statement on changes in equity.**

IV. Composition of the authorities of the Parent entity SECO/WARWICK S.A.

	MANAGEMENT BOARD	
	Jeffrey William Boswell	President of the Board
As of 31.12.2008	Andrzej Zawistowski	The Vice President of the Management Board
Management Board composition	Witold Klinowski	Member of the Management Board
	Józef Olejnik	Member of the Management Board
	Wojciech Modrzyk	Member of the Management Board since 01.05.2008
	Leszek Przybysz	President of the Board
On 01.03.2009	Andrzej Zawistowski	The Vice President of the Management Board
the composition of the	Witold Klinowski	Member of the Management Board
Management Board has	Józef Olejnik	Member of the Management Board
changes as follows	Wojciech Modrzyk	Member of the Management Board
	Leszek Przybysz	President of the Board
Management Board composition as of	Andrzej Zawistowski	Vice President of the Management Board
30.06.2009	Witold Klinowski	Member of the Management Board
	Józef Olejnik	Member of the Management Board
	Wojciech Modrzyk	Member of the Management Board
	SUPERVISORY BOARD	
	Henryk Pilarski	Chairman of the Supervisory Board
Composition as of	Piotr Kowalewski	Deputy Chairman of the Supervisory Board
31.12.2008	Piotr Kula	Member of the Supervisory Board
	Artur Grygiel	Member of the Supervisory Board
	Robert Legierski	Member of the Supervisory Board Since 28.02.2008
	Henryk Pilarski	Chairman of the Supervisory Board
	Piotr Kowalewski	Deputy Chairman of the Supervisory Board
	Piotr Kula	Member of the Supervisory Board
Composition as of	Artur Grygiel	Member of the Supervisory Board
29.04.2009.	Robert Jegierski	Member of the Supervisory Board resignation since 29.04
	Andrzej Libold	Member of the Supervisory Board since 29.04.2009
	Jeffrey Boswell	Member of the Supervisory Board since 29.04.2009
	Jeffrey Boswell	Chairman of the Supervisory Board since 18.06.2009
Composition as of	Henryk Pilarski	Deputy Chairman since 18.06.2009
30.06.2009	Piotr Kowalewski	Deputy Chairman since 18.06.2009
	Piotr Kula	Member of the Supervisory Board
	Artur Grygiel	Member of the Supervisory Board
	Andrzej Libold	Member of the Supervisory Board since 29.04.2009

V. Statutory auditors

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

VI. Important Shareholders of the parent entity

As for the state on 30.06.2009 the shareholders possessing over 5% of votes at the General Meeting of Shareholders were:

	Number of shares	% share in share capital	Number of votes at GMS	% of general number of votes
SW Poland Holding B.V. (Holland)	4 119 508	43,04%	4 119 508	43,04%
Spruce Holding Limited Liability Company (USA)	1 726 174	18,03%	1 726 174	18,03%
ING NN OFE	723 199	7,56%	723 199	7,56%
PKO TFI S.A.	577 716	6,04%	577 716	6,04%
PZU Asset Management S.A.	513 000	5,36%	513 000	5,36%

VII. Subsidiaries

The Company SECO/WARWICK S.A. is the dominant entity directly over three subsidiaries i.e. :

- **LZT Elterma S.A.**
- **SECO/WARWICK Corporation and**
- **OOO SECO/WARWICK Group, where it has 100% of the share capital and 100% of the general number of votes at the shareholders/partners' meetings.**

The Group includes also the following entities:

– **PHU Eltus, where the parent entity by LZT Elterma holds 100% of the share capital and 100% of the general number of votes at the shareholders' meeting,**

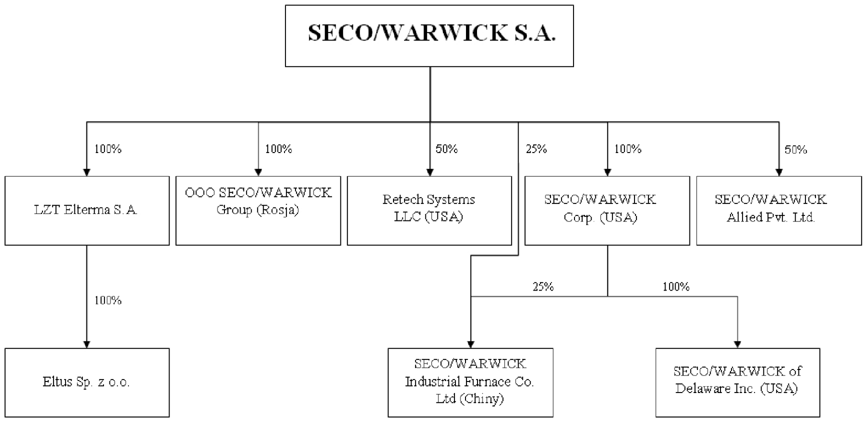
– **SECO/WARWICK of Delaware Inc., where the parent entity by SECO/WARWICK Corporation holds 100% of the share capital and 100% of the general number of votes at the shareholders' meeting,**

- **SECO/WARWICK (Tianjin) China, where SECO/WARWICK S.A. holds directly 25% of the share capital (and of total number of votes) and next 25% of the share capital and general number of votes by SECO/WARWICK Corporation.**

VIII. Affiliates

- **Retech Systems LLC, where the Company holds 50% of ordinary shares and 50% of general number of votes at the shareholders' meeting.**
- **SECO/WARWICK Allied Pvt. Ltd., where the Company holds 50% of all shares of SECO/WARWICK Allie Pvt. Ltd. entitling it to 50% of votes in the general number of votes at the General Meeting of Shareholders.**

IX. Graphic presentation of the Capital Group:



X. Selected financial data calculated into EUR

The average exchange rates of zloty in comparison to Euro in the periods covered by the financial statement, published by the National Polish Bank included to the historical financial data are as follows:

Fiscal year	30.06.2009	31.12.2008	30.06.2008
Average exchange rate in the period*	4,5184	3,5321	3,4776
Exchange rate as for the last day of the period	4,4696	4,1724	3,3542

***) average of the exchange rates binding as for the last day of each month in the relevant period**

The relevant items of <u>assets and liabilities in the financial statement</u> were calculate pursuant to the exchange average rates published by the National Polish Bank for Euro applicable as for the last day of the period.

The relevant items of <u>profit and loss account</u> and <u>cash-flow statement</u> were calculated pursuant to the exchange rates which are the arithmetic average of the average exchange rates published by the National Polish Bank for Euro applicable as for the last day of each month in the reporting period.

The selected financial data of consolidated financial statement or correspondingly of separate financial statement are presented at the end of first six months of the current fiscal year and at the end of the last fiscal year.

The basic items of the consolidated financial statement, profit and loss account and cash-flow statement from the presented financial statement and comparable data, calculated into EUR are presented in the table below:

Selected consolidated financial data

Description	Six months 2009	Six months 2008	Six months 2009	Six months 2008
	in k PLN		In k EUR	
Net revenues from sale of products, goods and materials	63 946	115 060	14 152	33 086
Own cost of sale	(44 992)	(96 240)	(9 957)	(27 674)
(Profit (loss) on operating activities	1 161	1 004	257	289
Gross profits (loss)	(505)	1 451	(112)	417
Net profit (loss)	1 057	1 516	234	436
Net cash-flow from operating activities	33 315	(2 448)	7 373	(704)
Net cash-flow from the investment activity	(13 379)	(12 068)	(2 961)	(3 470)
Net cash-flow from financial activities	191	(16 036)	42	(4 611)
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Total assets	238 269	251 811	53 309	65 137
Total liabilities	65 991	86 291	14 764	25 254
Including short-term liabilities	47 025	67 414	10 521	21 384
Equity	172 278	165 521	38 544	39 883
Share capital	3 471	3 471	777	969

The basic items of the separate financial statement, profit and loss account and cash-flow statement from the presented financial statement and comparable data, calculated into EUR are presented in the table below:

Selected separate financial data

Description	Six months 2009	Six months 2008	Six months 2009	Six months 2008
	in k PLN		In k EUR	
Revenues from the sale of goods, products and services	36 422	71 279	8 061	20 497
Own cost of sale	(22 893)	(60 714)	(5 067)	(17 459)
(Profit (loss) on operating activities	4 781	1 365	1 058	393
Gross profits (loss)	(2 204)	(654)	(488)	(188)
Net profit (loss)	(1 763)	(241)	(390)	(69)
Net cash-flow from operating activities	28 222	(694)	6 246	(200)
Net cash-flow from the investment activity	(10 831)	(11 483)	(2 397)	(3 302)
Net cash-flow from financial activities	(66)	(15 807)	(15)	(4 545)
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Total assets	168 345	179 805	37 664	53 359
Total liabilities	36 001	47 112	8 055	16 507
Including short-term liabilities	29 464	41 340	6 592	14 750
Equity	132 344	132 693	29 610	36 852
Share capital	3 471	3 471	777	969

XI. Statement of the Management Board

Under the base of the Minister of Finances of 19th February 2009 on the current and periodic information forwarded by the issuers of the securities, the Management Board of the Parent Entity declares that according to its best knowledge, this consolidated financial statement and comparable data were prepared in compliance with the applicable accounting principles and reflect in a accurate, reliable and clear manner the financial condition of the Company and its financial result.

This consolidated financial statement was prepared using the accounting principles, pursuant to the International Financial Reporting Standards, which were accepted by the European Union and in the scope required by the Ordinance of the Minister of Finances of 19th February 2009 on current and periodic information forwarded by the issuers of securities (Dz. U. No. 33, item 259).

The Management Board of Parent entity declares that the entity authorized to audit the financial statements, performing the audit of the consolidated financial statement was selected pursuant to the law and that this entity and the statutory auditors, performing this financial statement's audit met the requirements to express the independent and neutral opinion from the audit, according to the proper provisions of the local law. Pursuant to the corporate governance principles, accepted by the Management Board, the statutory auditor was selected by the Supervisory Board under the Resolution No. 16/2007 dated 12th December 2007 on election of the statutory auditor. The Supervisory Board has made the selection above having regarded to guarantee the full independency and objectivity of the selection and also the performance of the tasks of the statutory auditor.

XII. Approval of financial statement

This interim consolidated financial statement was accepted and approved to be published by the Management Board on 28th August 2009.

Date: 28th August 2009

	Leszek Przybysz President of the 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

CAPITAL GROUP SECO/WARWICK

INTERIM BRIEF CONSOLIDATED

FINANCIAL STATEMENT FOR THE PERIOD

FROM 1ST JANUARY TO 30TH JUNE 2009

PREPARED PURSUANT TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(data presented in k PLN)

Assets	As for 30.06.2009	As for 31.12.2008 r.	As for 30.06.2008 r.
FIXED ASSETS	118 841	108 673	84 461
Tangible fixed assets	47 933	47 076	43 211
Investment property	455	461	468
Goodwill	4 770	4 452	3 186
Other intangible assets	8 389	6 861	6 287
Investments in affiliates	50 469	41 661	26 387
Financial assets available-for-sale	3	3	3
Long-term receivables			
Other assets			518
Granted loans and own receivables	3	3	14
Prepayments and accrued income			
Assets due to the deferred income tax	6 819	8 156	4 386
CURRENT ASSETS	119 428	143 139	131 193
Stocks	18 118	20 102	22 422
Trade receivables	44 334	67 086	51 916
Other short-term receivables	4 213	4 558	11 108
Prepayments and accrued income	1 887	2 947	2 238
Financial assets measured at fair value by the financial result			
Granted loans and own receivables	5	12	6
Pecuniary assets and equivalents	32 638	12 418	21 089
Contracts settlements	18 232	36 016	22 415
ASSETS HELD FOR SALE			
TOTAL ASSETS	238 269	251 811	215 654

Liabilities	As for 30.06.2009	As for 31.12.2008 r.	As for 30.06.2008 r.
EQUITY	172 278	165 521	138 972
Share capital	3 471	3 471	3 471
Reserve capital	143 833	135 792	135 789
Revaluation capital of hedging derivatives	(797)	(2 211)	
Exchange differences	7 294	3 007	(12 933)
Retained profits/losses	17 420	10 783	11 129
Net profit/loss	1 057	14 678	1 516
Non-controlled entity capital			
LONG-TERM LIABILITIES	18 966	18 877	14 577
Credits and loans			927
Other liabilities	1 774	1 399	2 223
Deferred income tax reserve	12 051	13 640	11 250
Provision for retirement and similar benefits	3 841	3 657	176
Provisions for liabilities			
Prepayments and accrued income	1 300	180	1
SHORT-TERM LIABILITIES	47 025	67 414	62 105
Credits and loans	6 160	5 508	9 001
Financial liabilities measured at fair value	11 039	16 224	1 272
Trade liabilities	10 562	20 266	21 332
Liabilities due to income tax	2 037	3 311	2 537
Other short-term liabilities	3 476	3 674	4 745
Provision for retirement and similar benefits	1 217	915	1 696
Other provisions	3 636	5 193	4 043
Prepayments and accrued income	8 898	12 323	17 478
LIABILITIES HELD FOR SALE			
TOTAL LIABILITIES	238 269	251 811	215 654

Date: 28th August 2009

Prepared by:
Piotr Walasek

Leszek Przybysz
President of the 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(data presented in k PLN)

	for period 01.01.2009 – 30.06.2009	for period 01.01.2008 – 30.06.2008
Net revenues from sale of products, goods and materials, including:	63 946	115 060
Net revenues from sales of products	63 396	114 220
Net revenues from sales of goods and materials	550	840
Costs of sold products, goods and materials, including:	(44 992)	(96 240)
Manufacturing costs of sold products	(44 664)	(95 697)
Value of goods and materials sold	(327)	(543)
Gross profit (loss) from sales	18 954	18 820
Other operating revenues	1 615	271
Selling costs	(4 792)	(5 117)
General administrative costs	(13 447)	(12 340)
Other operating costs	(1 169)	(630)
(Profit (loss) on operating activities	1 161	1 004
Financial revenues	3 635	688
Financial costs	(11 530)	(2 860)
Share in net profit (loss) of affiliates	6 229	2 619
Profit (loss) before tax	(505)	1 451
Income tax	1 562	65
Net profit (loss) from continued activity	1 057	1 516
Profit (loss) from discontinued activity		
Net profit (loss) for the fiscal year	1 057	1 516
Profit per one share (in PLN)	0,11	0,16
Weighted average number of shares per day	9 572 003	9 572 003
Other comprehensive income:		
Valuation of the derivatives hedging cash-flows	1 746	0
Exchange differences from calculation the foreign units	4 287	(5 928)
Income tax only for other comprehensive income	(332)	0
Net other comprehensive income	5 701	0
Total comprehensive income	6 758	(4 412)

Date: 28th August 2009

Prepared by:

Piotr Walasek

	Leszek Przybysz President of the 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

CONSOLIDATED STATEMENT OF CASH-FLOW
(data presented in k PLN)

	for period 01.01.2009 – 30.06.2009	for period 01.01.2008 – 30.06.2008
OPERATING ACTIVITY		
Gross profit/loss	(505)	1 451
Total adjustments:	33 242	(3 017)
Share in net profit (loss) of affiliates	(6 229)	(2 619)
Amortization	2 566	2 018
Profit (loss) due to exchange differences	133	(246)
Interests and share in profits (dividends)	153	257
Profit (loss) from investment activity	9 753	(327)
Balance measurement of derivatives	(1 804)	1 053
Stocks change	(1 489)	(1 183)
Reserve change	2 271	(4 505)
Receivables change	24 261	(4 841)
Short-term liabilities change except for the financial liabilities	(12 854)	(2 696)
Change in prepayments and accrued income	16 422	10 094
Other adjustments	59	(22)
Cash from operating activity	32 738	(1 567)
Income tax (paid)/returned	577	(882)
Net cash-flow from operating activities	33 315	(2 448)
INVESTMENT ACTIVITY		
Inflows	37	422
Revenues from disposal of intangible and tangible fixed assets	30	66
Revenues from disposal of financial assets		
Revenues due to dividend and share in profits		
Repayment of granted long-term loans		
Revenues due to interests		
Pecuniary assets due to derivatives		350
Other inflows from financial assets	7	6
Outflows	13 416	12 491
Investment outflows for intangible assets, tangible fixed assets and investments in real estate	3 664	2 637
Outflows for purchase of related entities		9 713
Outflows for purchase of financial assets		139
Granted long-term loans		2
Pecuniary assets paid due to derivatives	9 752	
Other investments outflows		1
Net cash-flow from the investment activity	(13 379)	(12 068)

FINANCIAL ACTIVITY		
Inflows	1 069	1
Net inflows from issuance of shares and other capital instruments and from capital contributions		
Credits and loans	1 069	1
Issuance of debt securities		
Other financial inflows		
Outflows	879	16 037
Purchase of own shares		
Dividends and other payments to shareholders		
Expenses other than payments to shareholders, due to profit division		
Payment of credits and loans	541	15 621
Buy-out of debt securities		
due other financial liabilities		
Payments of the liabilities due to the financial lease agreements	186	159
Interests	153	257
Other financial outflows		
Net cash-flow from financial activities	191	(16 036)
Total net cash flows	20 126	(30 553)
Balance change of pecuniary assets, including:	20 920	(30 607)
- Change in pecuniary assets due to exchange differences	124	(63)
Opening balance of pecuniary assets	12 154	51 644
Closing balance of pecuniary assets, including	32 281	21 092
- with limited disposal possibility		

Date: 28th August 2009
Prepared by:
Piotr Walasek

Leszek Przybysz
President of the 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(data presented in k PLN)

	Share capital	Reserve capital	Derivatives revaluation capital	Exchnag e differenc es	Retained profits/losses	Capitals of minority interests	Total equity
Six months ended on 30th June 2008							
Equity as of 1st January 2008	3 471	116 610	0	(7 005)	29 785	0	142 861
Adjustment of fundamental errors					524		524
Total comprehensive income for the period of six months ended on 30th June 2008				(5 928)	1 516		(4 412)
Profit division		21 482			(21 482)		
Loss coverage		(2 303)			2 303		
Equity as of 30th June 2008	3 471	135 789	(2 211)	(12 933)	12 645	0	138 972
Twelve months ended on 31st December 2008							
Equity as of 1st January 2008	3 471	116 610	0	(7 005)	29 785	0	142 861
Adjustment of fundamental errors					6		6
Total comprehensive income for the period of twelve months ended on 31st December 2008			(2 211)	10 012	13 339		21 140
Profit division		21 482			(21 482)		
Loss coverage		(2 303)			2 303		
Changes in the share capital of SECO/WARWICK Allied (India) not affecting the result					1 513		1 513
Liquidation of fixed assets		3			(3)		
Loss coverage							
Equity as of 31st December 2008	3 471	135 792	(2 211)	3 007	25 460	0	165 521
Six months ended on 30th June 2009							
Equity as of 1st January 2009	3 471	135 792	(2 211)	3 007	25 460		165 521
Total comprehensive income for the period of six months ended on 30th June 2009			1 414	4 287	1 057		6 758
Profit division		8 040			(8 040)		
Equity as of 30th June 2009	3 471	143 833	(797)	7 294	18 477	0	172 278

Date: 28th August 2009
Prepared by: Piotr Walasek

Leszek Przybysz	Andrzej Zawistowski	Wojciech Modrzyk	Józef Olejnik	Witold Klinowski
President of the 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.

SHORTENED INTERIM SEPARATE FINANCIAL STATEMENT

PREPARED FOR THE PERIOD

FROM 1ST JANUARY TO 30TH JUNE 2009

INTERIM SEPARATE FINANCIAL STATEMENT (data presented in k PLN)

Assets	As for 30.06.2009	As for 31.12.2008 r.	As for 30.06.2008 r.
FIXED ASSETS	91 827	89 908	86 170
Tangible fixed assets	23 169	22 378	21 502
Investment property	455	461	468
Goodwill			
Intangible assets	5 764	4 204	3 847
Investments in the subsidiaries and affiliates	58 707	58 707	58 298
Financial assets available-for-sale			
Other assets			
Granted loans and own receivables			
Prepayments and accrued income			
Assets due to the deferred income tax	3 732	4 234	2 055
CURRENT ASSETS	76 518	89 897	95 911
Stocks	11 193	11 537	12 250
Trade receivables	23 329	44 089	40 788
Other short-term receivables	2 709	4 120	8 962
Prepayments and accrued income	868	1 634	1 204
Financial assets measured at fair value by the financial result			
Granted loans and own receivables			
Pecuniary assets and equivalents	26 724	9 270	15 670
Contracts settlements	11 695	19 248	17 037
ASSETS HELD FOR SALE			
TOTAL ASSETS	168 345	179 805	182 081

Liabilities	As for 30.06.2009	As for 31.12.2008 r.	As for 30.06.2008 r.
EQUITY	132 344	132 693	131 763
Share capital	3 471	3 471	3 471
Reserve capital	128 530	125 631	125 628
Revaluation capital of hedging derivatives	-797	(2 211)	
Retained profits/losses	2 902	2 902	2 905
Net profit/loss	-1 763	2 899	(241)
LONG-TERM LIABILITIES	6 537	5 772	6 572
Credits and loans			927
Other liabilities	1 238	1 059	1 710
Deferred income tax reserve	3 924	4 458	3 839
Provision for retirement and similar benefits	75	75	95
Provisions for liabilities	0		
Prepayments and accrued income	1 300	180	1
SHORT-TERM LIABILITIES	29 464	41 340	43 746
Credits and loans	1 388	1 296	9 000
Financial liabilities measured at fair value	10 699	14 203	1 053
Trade liabilities	5 853	10 154	9 457
Liabilities due to income tax	1 063	2 235	1 442
Other short-term liabilities	2 214	2 225	3 326
Provision for retirement and similar benefits	667	297	667
Other provisions	847	1 295	1 674
Prepayments and accrued income	6 733	9 636	17 127
LIABILITIES AVAILABLE FOR SALE			
TOTAL LIABILITIES	168 345	179 805	182 081

Date: 28th August 2009
Prepared by:
Dorota Subsar

Leszek Przybysz
President of the 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 ON COMPREHENSIVE INCOME

(data presented in k PLN)

	for period 01.01.2009 – 30.06.2009	for period 01.01.2008 – 30.06.2008
Net revenues from sale of products, goods and materials, including:	36 422	71 279
Net revenues from sales of products	36 221	71 132
Net revenues from sales of goods and materials	201	147
Costs of sold products, goods and materials, including:	(22 893)	(60 714)
Manufacturing costs of sold products	(22 751)	(60 594)
Value of goods and materials sold	(142)	(120)
Gross profit (loss) from sales	13 529	10 565
Other operating revenues	1 163	407
Selling costs	(1 968)	(2 663)
General administrative costs	(7 007)	(6 395)
Other operating costs	(936)	(548)
(Profit (loss) on operating activities	4 781	1 365
Financial revenues	1 906	635
Financial costs	(8 891)	(2 654)
Profit (loss) before tax	(2 204)	(654)
Income tax	441	413
Net profit (loss) from continued activity	(1 763)	(241)
Profit (loss) from discontinued activity		
Net profit (loss) for the fiscal year	(1 763)	(241)
Profit (loss) per one share (in PLN)	(0,18)	(0,03)
Weighted average number of shares per day	9 572 003	9 572 003
Other comprehensive income:		
Valuation of the derivatives hedging cash-flows	1 746	0
Income tax only for other comprehensive income	-332	0
Net other comprehensive income	1 414	0
Total comprehensive income	-349	-241

Date: 28th August 2009

Prepared by:	Leszek Przybysz	Andrzej Zawistowski
Dorota Subsar	President of the Board	Vice President of the Management Board
Wojciech Modrzyk	Józef Olejnik	Witold Klinowski
Member of the Management Board	Member of the Management Board	Member of the Management Board

INTERIM SEPARATE STATEMENT ON CASH-FLOW

(data presented in k PLN)

	for period 01.01.2009 – 30.06.2009	for period 01.01.2008 – 30.06.2008
OPERATING ACTIVITY		
Gross profit/loss	(2 204)	(654)
Total adjustments:	29 848	843
Share in profits of subordinated entities measured by the equity method		
Amortization	1 299	985
Profit (loss) due to exchange differences	184	(79)
Interests and share in profits (dividends)	41	185
Profit (loss) from investment activity	7 346	(353)
Balance measurement of derivatives	(1 804)	1 052
Stocks change	(78)	(1 498)
Reserve change	343	(1 852)
Receivables change	21 593	(8 128)
Short-term liabilities change except for the financial liabilities	(5 613)	(4 147)
Change in prepayments and accrued income	6 536	14 678
Other adjustments		
Cash from operating activity	27 645	188
Income tax (paid)/returned	577	(882)
Net cash-flow from operating activities	28 222	(694)
INVESTMENT ACTIVITY		
Inflows	4	365
Revenues from disposal of intangible and tangible fixed assets	4	15
Revenues from disposal of financial assets		
Revenues due to dividend and share in profits		
Repayment of granted long-term loans		
Revenues due to interests		
Pecuniary assets due to derivatives		350
Other inflows from financial assets		
Outflows	10 835	11 848
Investment outflows for intangible assets,tangible fixed assets and investments in real estate	3 485	2 136
Outflows for purchase of related entities		9 713
Outflows for purchase of financial assets		
Granted long-term loans		
Pecuniary assets paid due to derivatives	7 350	
Other investments outflows		
Net cash-flow from the investment activity	(10 831)	(11 483)

FINANCIAL ACTIVITY		
Inflows	0	0
Net inflows from issuance of shares and other capital instruments and from capital contributions		
Credits and loans		
Issuance of debt securities		
Other financial inflows		
Outflows	66	15 807
Purchase of own shares		
Dividends and other payments to shareholders		
Other than payments to shareholders, expenses due profit division		
Payment of credits and loans		15 621
Buy-out of debt securities		
due other financial liabilities		
Payments of the liabilities due to the financial lease agreements	24	
Interests	41	185
Other financial outflows		
Net cash-flow from financial activities	(66)	(15 807)
Total net cash flows	17 325	(27 983)
Balance change of pecuniary assets, including	17 454	(28 054)
- change in pecuniary assets due exchange differences	129	(47)
Opening balance of pecuniary assets	9 048	43 712
Closing balance of pecuniary assets, including	26 373	15 729
- with limited disposal possibility		

Date: 28th August 2009
Prepared by:
Dorota Subsar

Leszek Przybysz
President of the Board

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Vice President of the Management Board

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Member of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board

INTERIM STATEMENT ON CHANGE IN EQUITY

(data presented in k PLN)

	Share capital	Reserve capital	Revaluation capital of hedging derivatives	other capitals	Retained profits/losses	Capitals of non-controlled interests	Total equit
Six months ended on 30th June 2008							
Equity as of 1st January 2008	3 471	104 489	0		24 044	0	132 004
Total comprehensive income for the period of six months ended on 30th June 2008					(241)		(241)
Equity as of 30th June 2008	3 471	104 489	0		23 803	0	131 763
Twelve months ended on 31st December 2008							
Equity as of 1st January 2008	3 471	104 489	0		24 044	0	132 004
Total comprehensive income for the period of six months ended on 30th June 2008			(2 211)		2 899		688
Liquidation of fixed assets		3			(3)		
Profit division		21 139			(21 139)		
Equity as of 30th June 2008	3 471	125 631	(2 211)		5 801	0	132 693
Six months ended on 30th June 2009							
Equity as of 1st January 2009	3 471	125 631	(2 211)		5 801		132 693
Total comprehensive income for the period of six months ended on 30th June 2009			1 414		(1 763)		(349)
Profit division		2 899			(2 899)		
Equity as of 30th June 2009	3 471	128 530	(797)		1 139	0	132 344

Date: 28th August 2009

Prepared by: Dorota Subsar

Leszek Przybysz President of the 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

CAPITAL GROUP SECO/WARWICK

ADDITIONAL INFORMATION TO THE BRIEF INTERIM CONSOLIDATED FINANCIAL STATEMENT ENDING ON 30TH JUNE 2009

I. Compliance with the International Financial Reporting Standards

This consolidated financial statement was prepared pursuant to the International Standards of Financial Reporting (IFSR) and IFRS accepted by EU. As of the date of approving this statement to be published, taking into consideration the process of IFSR implementation by EU and the business activity conducted by the Company, in the field of accounting principles applied by the Group there are any differences between the effective IFRS and IFRS accepted by EU.

IFSR include the standards and interpretations accepted by International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC).

II. Business continuance principles and comparability of financial statements

The consolidated financial statement of the Company was prepared assuming applying the going concern principle by the Company for the period at least 12 months after the balance day, so i.e. 30.06.2009. As of the date of singing the financial statement the Parent entity's Management Board does not state any facts and circumstances which may indicate the hazard for the going concern principle in the period at least 12 months after the balance date as a result of intended or forced omission or important limitation in the present business activity.

To the date of preparing this consolidated financial statement for the period 01.01. - 30.06.209 there were any events which were not but should be presented in the accounting books for this period. At the same this financial statement does not include any important events from previous years.

III. Consolidation principles

a) Subsidiaries

The subsidiaries are all entities, in relation to which the Group is able to manage their financial and operating policy, that usually is connected with holding the majority of votes in the executive bodies. During making the assessment if the Group controls the relevant entity the existence and the influence of the potential voting rights are considered which may be executed or changed any time.

The subsidiaries are a subject of full consolidation from the day when the control over them is taken over. The consolidation stops on the day of stopping control. The acquisition of the subsidiaries by the Group is settled by the purchase method. The acquisition costs is set as the fair value of acquired assets, issued capital instruments and the liabilities taken or acquired as for the exchange date, increased by the costs related directly to the acquisition. The identifiable purchased assets and liabilities and contingent liabilities taken as a result of business combination is measured as of the acquisition date pursuant to their fair value, notwithstanding the amount of shares of non-controlled interests. The surplus of the acquisition cost over the fair value of the Group's shares in the identifiable acquired assets is recognized as the goodwill. If the acquisition cost is lower than the fair value of net assets of acquired subsidiary, the difference is recognized directly in the profit and loss account.

The revenues and costs, settlements and unrealized profits from transactions between the Group's companies are eliminated. Unrealized loss are also the subject of elimination unless the transaction gives the evidences of impairment of the asset. Accounting principles

applied by the subsidiaries were changes where necessary in order to ensure the compliance with the accounting principles applied by the Group.

b) Minority interests and transactions with minority shareholders

The minority interests include the interests in the companies covered by the consolidation not belonging to the Group. The minority interests are set as the net assets value of related entity, as for the acquisition date, for shareholders apart from the capital group. This value is increased/reduced by the increases/decreases for the minority interest but these losses may be classified only to the amount guarantying to be covered by the minority. The surplus of losses is a subject of settlement by the equity of the capital group. The group used the principle to treat the transactions with minority shareholders as the transactions with third entities not related to the Group.

c) Affiliates

The affiliates are the entities which the Group influences but which are not controlled, it is related to holding 20 to 50% of total number of votes in the executive bodies. The investments in affiliates are settled by the equity method and the initial recognition is pursuant to the cost.

The share of the Group in the financial result of affiliates from the day of acquisition is recognized in the profit and loss account and its interests in changes in the other capitals from the acquisition date – in other capitals. The total change of the equity of the affiliates from the day of acquisition is adjusted by the carrying amount of investment.

d) Companies covered by the consolidated financial statement

This consolidated financial statement for the periods ending on 31st December 2008 and 31st December 2007 includes the following entities belonged to the Group:

Description	Interest in total number of votes (in %)	
	30.06.2009	31.12.2008
SECO/WARWICK S.A.	Parent entity	
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.	100%	100%
SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd.	50%	50%
Retech Systems LLC	50%	50%
SECO/WARWICK Allied Pvt. Ltd.	50%	-

IV. Description of accepted accounting principles, including the methods of assets and liabilities and revenues and costs measurement

The consolidated financial statement was prepared basing on the historical cost principle, except for: derivatives, financial instruments at fair value, which change is recognized in profit and loss account, financial assets held for sale, which were measured at fair value.

The carrying amount of the recognized hedged assets and liabilities is adjusted by the change of fair value, which may be attributed to risk from which these assets and liabilities are hedged.

This consolidated financial statement is presented in zlotys (PLN) and all values, unless it is stated otherwise, are given in k PLN.

Presentation of financial statements

Balance sheet presentation

Pursuant to the IAS 1 "Presentation of Financial Statements" the assets and liabilities are presented in the balance sheet as short-term and long-term items.

Pursuant to IFRS 5 the assets held for sale are presented separately.

Presentation of profit and loss account

Pursuant to IAS 1 "Presentation of Financial Statements" the costs in the profit and loss account are presented in multi-step variant.

Profit per one share

The net profot per one share for each period is set as the quotient of the net profit for the relevant period and average weighted number of shares in this period. The average weighted number of shares includes the dilution related to the issue of shares at Stock Exchange.

Intangible assets

As the components of the intangible assets the Group recognizes the components which are identifiable (can be separated or disposed), are controlled by the entity and there is a high probability that they will bring the economic benefits for the entity.

The intangible assets include mainly software, costs of R&D works and are initially measured at the purchase price or manufacturing cost including the price of purchase, import duties, non deductible interests included in price, less discounts and rebates and increased by the expenses directly connected with preparing the asset to be used pursuant to the indented purpose.

In order to decide if the component of intangible assets manufactured at its own meets the criteria of being recognized as the assets, the entity makes the division of the assets process into two stages:

- Research works stage,
- Development works stage.

The costs arisen in the first stage always increase the costs of the period directly.

The Group actives in the balance sheet the components of the intangible assets arisen during the development works only when they meet the following conditions:

- It is likely that the component of intangible assets will be completed,
- It is possible to show the possibility of use or sale,
- It is possible to measure the incurred costs in a reliable manner.

The goodwill arises as a result of acquisition of the business entity and it is the surplus of the costs of business combination over the share of the acquiring entity in the net fair value of identifiable assets, liabilities and contingent liabilities. After the initial recognition the goodwill is presented according to the purchase price reduced by the all cumulated impairment allowances. The goodwill is not a subject of amortization.

The summarizing of the principles applied to the intangible assets of the Group is presented as follows:

Description	Patents and licenses	Software
Useful life	5 to 10 years	up to 5 to 15 years
Applied method	Amortized by the period of the contracts- linear method	Amortized by linear method
Origin	Purchased	Purchased
Verification regarding the impairment/recoverable value test	Annual assessment if there are any assumptions of impairment	Annual assessment if there are any assumptions of impairment

Tangible fixed assets

Tangible fixed assets are recognized pursuant to the purchase price or manufacturing cost less the depreciation allowances and possible impairment allowances. The Group accepted the alternative solution for the borrowing costs (IAS 23), pursuant to which they increase the purchase price.

The further expenses for the component of the tangible fixed asset increase the book value of such component, unless it is likely to obtain the future economic benefits exceeding the available benefits before incurring such expenses.

The amortization is calculated by linear method by estimation of the useful life of the relevant asset:

Buildings	up to 10 to 40 years
Machines and devices	up to 5 to 30 years
Means of transport	up to 5 to 10 years
Other fixed assets	up to 5 to 15 years

The fixed assets which are a subject of financial lease were recognized in the balance sheet as equal to the other components of fixed assets and are a subject of depreciation pursuant to the same principles.

The initial value of fixed assets which are a subject of financial lease and corresponding to them liabilities are set in the amount equal to discounted value of future leasing fees. The incurred leasing fees in the reporting period are charged against the liabilities due to the financial lease in the amount equal to the capital installments, the surplus which is the financial cost charges the financial costs of this period at all.

The profit and loss arisen from the sale of liquidation are determined as the difference between the revenues from sale and net value of these fixed assets and are recognized in the profit and loss account.

The Group accepted the principle that the final value of the fixed assets is equal to "zero".

Tangible fixed assets under construction

The tangible fixed assets under construction include the tangible fixed assets and intangible assets which are not available to use yer and they are likely to be completed. They are presented in the balance sheet pursuant to the manufacturing costs less the impairment allowances. Tangible fixed assets under construction are not amortized.

Investment property

As the investment property are recognized the property which is treated as the source of revenues from rents or/and is held in possession because of expected increase of value.

Investment property is recognized pursuant to the purchase price or manufacturing cost less the depreciation allowances and possible impairment allowances.

The amortization is calculated for the estimated useful life of this assets using the linear methods. Lands are not amortized.

Assets and financial liabilities

The financial assets include the assets held for sale, assets measured at fair value through profit and loss, hedging derivatives, granted loans and own receivables and pecuniary assets and their equivalents.

The financial liabilities include the taken credits and loans, other types of funding, overdrafts, financial liabilities measured at the fair value through profit and loss, hedging derivatives, trade liabilities, liabilities towards the fixed assets suppliers.

Except for the investments in subsidiaries, joint-controlled entities and affiliates recognized at the purchase price pursuant to IAS 27 "Consolidated and Separate Financial statement", financial assets and liabilities are measured pursuant to IAS 39 "Financial Instruments: recognition and measurement".

Recognition and measurement of financial assets

At the initial recognition the financial assets are measured at the fair value increased- in case of investments which are not measured at the fair value through profit and loss- by the costs of transactions directly assigned to them.

Receivables

Trade receivables are recognized and presented at the amounts initially invoiced including the allowance for doubt receivables. Allowance for receivables is estimated when collecting the full amount of receivable is not possible.

In case when the influence of the money in time is significant the amount of receivable is set by discounting the anticipated further cash-flows to the current value using the discount rate reflecting the current market assessment of the money and the risk related to this liability. If there are used method relied on discounting, increasing the receivable due to the lapse of time is recognized as the financial revenues.

The other receivables include in particular the advance payments due to future purchase of fixed assets, intangible assets and stocks. As the non-pecuniary assets the advance payments are not a subject of discounting.

Pecuniary assets and their equivalents

The pecuniary assets and their equivalents are held in order to satisfy the short-term need of the Company for the pecuniary assets but not for the investment or other purposes.

The pecuniary assets and their equivalents include the pecuniary assets on bank accounts, at hand, and all liquid instruments which may be immediately changed into the pecuniary assets in fixed amount and which are not exposed to the risk of value change.

Recognition and measurement of financial liabilities

Credit liabilities and other financial liabilities are initially recognized at fair value and then measured at the amortized cost using the effective interest rate.

The costs of transactions directly related to the purchase or issuance of the financial liability increase the carrying amount of such liability because at the initial recognition the component of the liability is recognized at the fair value of amounts paid or received in return for the liability. In the further periods these costs are amortized by the time of liability using the effective exchange rate.

Financial instruments

The hedging accounting recognizes the results of compensation of the fair value changes of the hedging instrument and hedged item inflowing to the profit and loss account.

There are three types of hedging relations:

a) Fair value hedge: hedging from threat of the change of the fair value of the recognized asset or liability or separated part of such asset or liability or possible future liability which may be attributed to the specific risk, which may affect the profit and loss account.
b) cash-flow hedge: hedging from threat of changing the cash flows which i) may be attributed to the specific risk related to the recognized asset or liability ot which ii) may affect the profit and loss account.
c) Hedge in net assets in the foreign entity pursuant to the definition contained in IAS 21.

The hedging accounting is used to hedging relation when and only when the following conditions are met:

a) When establishing the hedge the hedging relation is formally established and documents as well as the purpose of risk management by the entity and the strategy of establishing the hedge. The documentation contains identification of hedging instrument, hedged item or transaction, the nature of hedged risk as well as the manner how the entity will assess the effectiveness of hedging instrument in compensation of the threat of changes in the fair value of hedged item or cash-flows related to the hedged risk.

b) It is expected that the hedhe will be highly effectibe in compensation of fair value changes or cash-flow resulting from the hedged risk, pursuant to the documented risk management strategy related to the relevant hedging relation.
c) In case of cash-flow hedges, the planned transaction which is a subject of hedging has to be highly possible and has to be a subject of threats of changes in cash-flows which may affect the profit and loss account.
d) The effectiveness of the hedge may be estimated in a reliable manner i.e. the fair value or cash-flow related to the hedged item resulting from hedging risk and the fair value of hedging instrument may be measured in a reliable manner.
e) The hedge is assessed on a curren basis and its high effectiveness is proved in all reporting periods for which this hedge was established.

Stocks

The stocks are measures pursuant to the purchase price set by the average weighted price. The reduction of the stocks' value towards the net sale is made basing on revaluation allowances. Moreover at the end of each fiscal year the revaluation of stocks' backlog or these which lost their usefulness or their usefulness was limited. In case when the circumstances causing the reduction of stocks' value the opposite operation is made i.e. reversal of the stocks' value.

Revaluation of stocks and inventory differences are charged against of the cost of own sold products.

Deferred tax

Pursuant to IAS 12 "Income tax" the deferred tax is set by the liabilities method and is recognized in the financial statement for the all temporary differences between the carrying amount of assets and liabilities and their tax value and the tax losses forwarded to the next years. Assets due to deferred income tax is recognized from these temporary differences for which it is reasonable possibility of being realized and when the next income from taxation will be available from which the temporary differences will be deducted. The assets due to deferred income tax which have not been recognized yet are re-valued as for each balance day. Previously nor recognized component of assets due to deferred income tax is recognized to the extent to which it is possible that future taxable income allow to realize this asset.

The assets due to deferred income tax are recognized for all negative temporary differences resulting from the investments in subsidiaries and affiliates only to the extent to which it is possible that:

- The temporary differences will reverse in the foreseeable future and

- The taxable income will be achieved from which the temporary differences may be deducted.

Pursuant to IAS 12 assets and liabilities due to deferred income tax are not a subject of discounting. The deferred tax is measured using the tax rates which were legally applicable as for the balance day.

Provisions

The provisions are established when the Group has an obligation (legally or usually employed) resulting from the past events and when it is possible that

fulfillment of this obligation will cause the necessity of outflow of the economic benefits and the reliable estimation of this obligation amount can be made. If the Group expects that the costs included to the provision will be returned, for example under the insurance agreement, then such return is recognized as the separate component of assets but only when it is mostly possible that this return will occur.

The costs related to the relevant provisions are presented in the profit and loss account after reducing all returns. In case when the inflow of the money in time is significant the amount of provision is set by discounting the anticipated further cash-flows to the current value using the discount rate reflecting the current market assessment of the money and the possible risk related to this liability. If the method basing on discounting is used, the increase of the provisions with the lapse of time is recognized as the financial costs.

The estimation of the financial result and effect are made using the management judgment, supported by the present experience in the similar transactions and - in some cases- by reports of the independent experts.

The provision level is verified as for each balance day and is adjusted in order to reflecy the current and the most reliable estimation. If it is not possible that outflow of the assets bearing the economic benefits will be necessary to fulfill the obligation then the provisons will be released.

The Group established the following types of provisions:

- For the guarantee repairs- they are made under the base of the historical data on the guarantee repairs costs,
- For unused leaves- in the equivalent to the amount of days to be used multiplied by the average daily rate of gross remuneration,
- For retirement and jubilee benefits- calculated by actuaries,
- For employees benefits- bonuses, payroll.
- For the probable costs of current fiscal year, which will be invoiced only in the next year (accrued expenses). Depending on the type is charged against manufacturing, sale or general administrative costs.

The status of the bases to make the estimations and the provisions amount is verified as for the each balance day.

Prepayments and accrued income

The Group in order to ensure the revenues and costs related to them as the liabilities of the relevant reporting period classified the costs or revenues related to the future periods.

<u>Accrued expenses</u>

The Group carries out the prepaid expenses in the amount of probable obligations per the current reporting period following in particular:

- The benefits performed in favor of the entity by the entity's contractors, and the amount of the liabilities can be estimated in the reliable manner,

Prepayments (advance payments) received due to the contract for construction to the amount of the estimated revenues under the contract are reduced by the receivables following the long-term contracts settlements.

Prepayments and accrued income

They include in particular the governmental subsidies to fund the assets and revenues and surplus of the estimated revenues resulting from the progress of the long-term contracts pursuant to IAS 11 over the received prepayments.

The governmental subsidies are recognized in the balance sheet in the amount of received assets and they are written off in a systematic manner as the revenue of the relevant period in order to ensure their matching to the correspondence costs, which will be compensated by the subsidies. The subsidies do not increase directly the equity.

The prepayments and accrued income settled in the period longer than 12 months are classified as the long-term prepayments and accrued income, but these settled not longer than 12 months from the balance day are classified to the short-term prepayments and accrued income.

Functional and reporting currency

a) Functional and reporting currency

The items presented in the financial statement are measured in the currency of the basic economic environment where the Company conducts its business activity (functional currency). The financial statement is presented in the Polish zlotys (PLN), which is the functional and reporting currency of the Group.

b) Transactions and balances

Transactions expressed in foreign currency are calculated into the functional currency pursuant to the exchange rate as for transaction date. Profits and loss of exchange arisen from settlement of transaction in foreign currency and balance valuation of assets and cash liabilities expressed in foreign currencies are presented in the profit and loss statements unless they are deferred in the equity, when they are classified to be recognized as the hedge for the cash-flow or shares in net assets.

IV. Important values basing on professional judgment and estimations

Preparing the consolidated financial statement require to carry out the estimations due to the fact that many information included to the financial statement cannot be estimated in a precise manner. The Management Board verifies the accepted estimations basing on changes of considered rates, new estimations or experiences from the past. Therefore the estimations made as of 31st December 2008 may change in the future.

Depreciation rates

The amount of depreciation rates is set basing on the anticipated period of economic life of the tangible fixed assets and intangible assets. Annually the Group carried out the verification of accepted economic life periods basing on the current estimations.

Depreciation rates for the fixed assets used under the financial lease agreements

Similarly the amount of depreciation rates is set basing on the anticipated period of economic life of the tangible fixed assets and intangible assets. The useful life equal to the duration of agreement is not applied. The Group assumed that the assets used under the lease agreement are a subject of obligatory buy-out.

Assets due to the deferred income tax

The Group recognizes the assets referring to all unused tax losses to be deducted in future in such amount, which is possible, that the tax income will be achieved which will allow to use it.

Provisions for costs of leaves

Provisions due to the employees leaves is set basing on the number of unused leaves days available for employees at the end of the reporting period.

Provision for retirement and similar benefits

The retirement and pension severance pays are paid pursuant to the provisions of the art. 92 of Labor Code. The actuarial estimation of the long-term and short-term benefits is made at the end of each fiscal year.

Provisions for costs of guarantee

The provision for the guarantee repairs is calculated basing on historical data concerning the manufacturing costs of sold equipment and costs of guarantee repairs incurred in the previous years.

Provisions for bonuses

The Group pays to the employees the annual award basing on the value of net profit margin rate (net profit/revenues) achieved in the relevant period. Depending on the rate the employees may receive the award constituting 100, 150 or 200% of the average monthly remuneration for the relevant employee. In case the rate is 0-5% the award is not paid out.

Long-term contracts

In order to settle the long-term contracts in the Group the provisions of IAS 11 “Construction Contracts” are applied. If the result of transaction may be measured in a reliable manner, the valuation is made using the progress method. The measurement for the progress is the relation of incurred real costs to the general planned costs.

At the end of each reporting period the Group carries out the estimation of the result for each contract. In case of possible loss in contract (anticipated costs exceeds the anticipated revenues) it is immediately recognized in the profit and loss account.

The amount of loss is determined depending on: the fact of works commencement under the contract, progress of works under the contract and the amount of planned profits due to other contracts, which are the separate contracts in the meaning of the par. 9 of IAS 11.

The principles above are applied to settle the trade contracts, related to the basic scope of Group’s activity, which period of performance is longer than 3 months and its total value is important because of the reliability of the financial statement (level of revenues, costs and financial result). The revenues to be settled in time are evidenced revenues. As the evidenced revenues are recognized the revenues guaranteed under the initial contracts reviewed by the all amendments to the contract (annexes) and all additional, related to the project, changes. The changes in the contract revenues are considered when it is certain (signed contract or annexes) or at least highly possible (draft annexes or preliminary contracts), that the receiver will accept the changes and amounts of revenues following such changes and the value of such revenues may be estimated in a reliable manner.

To calculate the progress of the contract performance the real costs incurred during the reporting period, evidenced by the proper accounting documents and the costs of contractor not invoiced yet are accepted, unless the conditions below are met jointly:

a) It can be estimated in a reliable manner,

b) The value of contract in cooperation is 250,000-500,000 PLN,

c) The performance time is longer than 3 months.

The revenue at the end of reporting period is set proportionally to the progress of the contract performance after deducting the costs which affected the financial result in the previous reporting periods. The estimated costs in the contract in the relevant reporting period are recognized in the revenues of the period as the revenues from sale of goods and in the balance sheet in assets as the receivables from the settlement of long-term contracts.

Advance payments (prepayments) received for the contract performance and invoiced pursuant to the VAT regulations, in the amount exceeding the level of estimated revenues per the relevant reporting period are presented in the liabilities as the provisions for deliveries. But the advance payments to the amount of estimated revenues in contract reduce the receivables from the long-term contracts settlements.

The surplus of invoiced revenues is presented in the prepayments and accrued income.

<u>Revenues</u>

The Group recognizes the revenues from selling products abroad when they are relaeswed from warehouses.

The Group applies the method opf percentage progress of works at settlement of long-term contracts. Application of this method require to estimate the proportion of the performed works to the total works to be performed.

<u>Derivatives</u>

The assessment of the fair value of derivatives is recognized at the end of each reporting period at the fair value- set under the bank valuation.

Subjective judgment

In case when the relevant transaction is nor regulated by any standard or interpretation the Management Board applies the subjective judgment, determined and applies the accounting policy which ensures that the financial statement will include the accurate and reliable information and it will:

- **Clearly, accurately and reliably present the financial condition of the Group its results and cash-flows,**
- **Reflect the economic content of transactions,**
- **Objective,**
- **Prepared pursuant to the prudence principle,**
- **Complete in all aspects.**

The subjective judgment made as for 31st December 2008 concerns the provisions for claims and contingent liabilities.

V. Changes in accounting principles (policy)

Below there are presented published new standards and interpretations of IFRIC applicable for the reporting periods staring on 1st January 2009 and later and the Management Board opinion of influence of new standards and interpretations on the financial condition of the Group.

- **IFRS 8 "Operating Segments"- the Company applies this standard from 1st January 2009,**
- **Amendment to IAS 23 "Borrowing costs"- the Company applies this standards from 1st January 2009,**
- **IAS 1 (Z) "Presentation of Financial Statements"- the Company applies this stanrad from 1st January 2009,**
- **Amendment to IFRS 2 "Share-based payments" - the Company applies this stanrad from 1st January 2009,**
- **Amendment to IFRS 1 "First-time Adoption of the IFRS" and IAS 27 "Consolidated and Separate Financial Statements"- the Company applies this stanrad from 1st January 2009,**
- **Amendments to IAS 39 "Financial Instruments: recognition and measurement"- "Criteria for hedge accounting"- the Company applies this stanrad from 1st July 2009**
- **Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of the Financial Statements – financial instruments with the buy-out option on demand of the shareholder and liabilities of liquidation"- the Company applies this standard from 1st January 2009,**
- **IFRIC 12 "Loyalty programs" - the Company applies this standard from 1st January 2009,**
- **IFRIC 14 "The Limit on a defined benefit assets minimum funding requirements and their interaction" - the Company applies this interpretation from 1st January 2009,**
- **IFRIC 15 "Agreements for the construction of real estate"- the Company applies this interpretation from 1st January 2009,**
- **IFRIC 17 "Distribution of non-cash assets to owners"- the Company applies this interpretation from 1st July 2009,**
- **IFRIC 18 "Transfer of assets from customers"- the Company applies this interpretation from 1st July 2009,**

The Management Board of the parent entity does not anticipate that the implementation of the above standards and interpretations may affect the accounting policy applied by the Company, except for the additional or new disclosures. Now the Company analyses the consequences and the influence of the above standards and interpretations on the financial statements.

VI. Standards waiting to be approved by the European Commission

Standards waiting to be approved by the European Commission:

Amendment to IFRS 3" Business combination" and the amendment to IAS 27 "Consolidated and separate financial statements"- the Company will apply this standards when it will be approved by the European Union,

Amendments to IAS 39 "Financial instruments: Recognition and measurement" and IFRS 7 "Financial instruments: Disclosures"- the Company will apply this standards when it will be approved by the European Union,

- **IFRIC 12 "Service concession arrangements" - the Company will apply this standards when it will be approved by the European Union,**
- **IFRIC 16 "Hedges of a net investment in a foreign operation"- the Company will apply this standards when it will be approved by the European Union,**

The all standards and interpretations above wait to be approved by the European Union. The Group made the assessment of consequences of application such interpretation and standards amendments and identified that the amendments in IFRS 2 and IAS 27 may affect the presentation of the financial statement when applied. Starting from the date of approval for these IFRS/IAS by the European Union, the Group will start the reporing including the proposed amendments. Pursuant to the initial assessment the application of IFRIC 12 and 16 will not affect the financial statement significantly.

Allowed alternative approaches applied by the Group pursuant to IFRS

Some IFRIC allow the alternative methods of measurement and recognition for the assets and liabilities. The Group has chosen:

Standards	Applied alternative approach
IAS 2 Stocks	The stocks are measures pursuant to the purchase price set by the average weighted price.
IAS 16 Property, Plant and Equipment	The property, plant and equipments is presented pursuant to the purchase price less the accumulated amortization and accumulated revaluation allowances.
IAS 32 Borrowing costs	The borrowing costs incurred in the construction or manufacturing the property, plant and equipment as well as intangible assets are capitalized.
IAS 38 intangible assets	The intangible assets are presented pursuant to the purchase price less the accumulated amortization and cumulated revaluation allowances.

CAPITAL GROUP SECO/WARWICK

ADDITIONAL NOTES AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENT ENDED ON 30TH JUNE 2009

REVENUES FROM SALES

Pursuant to IAS 18 the revenues from sales of products, goods and materials and services, after reducing by the VAT tax, rebates and discounts, are recognized when the significant risk and benefits following its possession were incurred by the purchaser.

Revenues from sales and total revenues of the Group are as follows:

Description	six months 2009	six months 2008
Sale of products	63 396	114 220
Sale of goods and materials	550	840
SUM of revenues from sales	63 946	115 060
Other operating revenues	1 615	271
Financial revenues	3 635	688
SUM of total revenues	69 196	116 019

Revenues from discontinued activity did not occur.

OPERATING SEGMENTS

As for 1st January 2009 the IFRIC 8 Operating segments came into force changing the IAS 14 Segment reporting. This standards introduces so called "management approach" to disclosure information on segments and require to disclosure information on segments basing on the components of the entity, which is monitored by the managers during the operational decisions. The operating segments are the components of the entity, for which the separate financial information are available and which are assessed on a regular basis by the persons taking the key decisions on allocation of resources and current results assessment. This changes does not affect the segment reporting of the Company.

The SECO/WARWIC Group has the following segments:

Vacuum furnaces

The vacuum furnaces are applied in most industry branches such as tool-making, aviation, power engineering, electrical engineering, medical, automotive, specialised industries and others, in processes of heat treatment of steel and alloys, brazing, sintering, material degassing, etc. Applying vacuum furnaces brings economic effects. Moreover, they are environmentally friendly.

Lines for brazing aluminium heat exchangers (CAB)

The CAB lines are mostly used in automotive industry for brazing so called heat exchangers installed in passenger cars and trucks (engine radiator, air condition heat exchangers, oil coolers, etc.). Apart from the automotive industry the CAB lines are used to make, for instance, microchip radiators, vapour condensers at thermal power stations, exhaust gas heat exchangers of power generator sets.

Atmospheric furnaces (Atmosphere)

The atmospheric furnaces are extensively applied in heat treatment as well as in heat-and-chemical treatment of steels and metals, in protective atmospheres, in order to increase their resistance. The atmospheric furnaces intended for heat-and-chemical treatment are applied, among other things, for gas carburizing and gas nitriding technologies. Those furnaces are mainly applied in automotive industry, metal industry, including rolling bearing production, at the hardening plants providing services, in special industries, etc.

Lines for aluminium heat treatment (Aluminium Process)

Heat treatment of aluminium products refers to a vast range of processes, among which the SECO/WARWICK Group is specialized in chosen technologies. The Aluminium Process lines made by the Group are applied, for instance, for production of aluminium sheets for automotive and aviation industry, foils for various types of packages and heat treatment of aluminium castings.

Melting furnaces

The vacuum melting furnaces are used in metallurgical industry for consolidation, melting and refining special metals. This group includes reactive metals (e.g. Titanium, Zircon) and heat resistant ones (e.g. Tantalum). Their physical properties require treatment in technologically advanced devices and under high vacuum conditions.
A separate group of furnaces are vacuum foundry furnaces, used to make special castings (e.g. components of jet engines, power generating turbines, medical implants, etc.)
At the same time the melting furnaces are an element of unique, in a global scale, lines to dispose of difficult wastes (such as side products coming from nuclear power stations.

Information on geographical areas, determined using the market location, are divided as follows:

- **Poland (domestic market)**
- **European Union Countries (except Poland)**
- **United States of America**
- **Russia**
- **Asia**
- **Other**

OPERATING SEGMENTS SIX MONTHS 2009

Description	Continued activity: Vacuum furnaces	CAB	Atmosphere	Aluminum Process	Melting furnace	Total	Discontinued activity	Items not classified	Total actvity
Total revenues of segment	11 831	17 868	15 344	6 833	1 547	53 423		10 523	63 946
Sales for external clients including:	11 831	17 868	15 344	6 833	1 547	53 423		10 523	63 946
-Sale for clients for whom the sales in at least 10% of segment revenues	5 047	13 224	6 734	5 825	1 455	32 286		3 782	36 068
Sales between segemnts						0			0
Total costs of segment	(9 493)	(9 733)	(11 928)	(4 747)	(1 097)	(36 998)		(7 993)	(44 992)
General administrative costs								(13 447)	(13 447)
Selling costs								(4 792)	(4 792)
Operating revenues								1 615	1 615
Operating costs								(1 169)	(1 169)
Profit (loss) of segment on continued activity before taxation and financial costs	2 337	8 135	3 416	2 086	450	16 425	-	-	1 161
Financial revenues								3 635	3 635
Financial costs								(11 530)	(11 530)
Interest in profit of affiliates								6 229	6 229
Profit (loss) before tax									(505)
Income tax									1 562
Net profit (loss) for period									1 057

OPERATING SEGMENTS SIX MONTHS 2008

Description	Continued activity						Discontinued activity	Items not classified	Total actvity
	Vacuum furnaces	CAB	Atmosphere furnaces	Aluminum Process	Melting furnace	Total			
Financial result of branch sectors									
Total revenues of segment	27 171	25 691	27 482	10 878	8 215	99 437	0	15 623	115 060
Sale for the external clients	27 171	25 691	27 482	10 878	8 215	99 437	0	15 623	115 060
- Sale for clients for whom the sales in at least 10% of segment revenues	5 210	17 691	16 346	7 715	8 215	55 179	0	5 543	60 722
Sales between segemnts									
Total costs of segment	(24 380)	(22 433)	(23 946)	(8 252)	(6 663)	(85 674)	0	(10 566)	(96 240)
General administrative costs								(12 340)	(12 340)
Selling costs								(5 117)	(5 117)
Operating revenues								271	271
Operating costs								(630)	(630)
Profit (loss) of segment on continued activity before taxation and financial costs	2 790	3 258	3 537	2 626	1 552	13 763	-	-	1 004
Financial revenues								688	688
Financial costs								(2 860)	(2 860)
Interest in profit of affiliates								2 619	2 619
Profit (loss) before tax									1 451
Income tax									65
Net profit (loss) for period									1 516

GEOGRAPHICAL AREAS SIX MONTHS 2009

Description	European Union	Russia	Other	USA	Asia	Poland	Total actvity
Total revenues	29 683	6 920	3 553	9 912	4 739	9 139	63 946
Sale for the external clients from the continued activity:	29 683	6 920	3 553	9 912	4 739	9 139	63 946
Sale for the external clients from the discontinued activity:	-	-	-	-	-	-	-

GEOGRAPHICAL AREAS SIX MONTHS 2008

Description	European Union	Russia	Other	USA	Asia	Poland	Total actvity
Total revenues	40 651	15 844	3 524	17 664	8 744	28 633	115 060
Sale for the external clients from the continued activity:	40 651	15 844	3 524	17 664	8 744	28 633	115 060
Sale for the external clients from the discontinued activity:	-	-	-	-	-	-	-

FINANCIAL REVENUES AND COSTS

FINANCIAL REVENUES	01.01.2009 - 30.06.2009	01.01.2008 - 30.06.2008
Revenues due to interests	137	337
Revenues from investments	-	-
Profit from matured derivatives		350
Balance measurement of derivatives	3 498	-
Received dividends	-	-
Other		-
Financial revenue, total	3 635	688

FINANCIAL COSTS	01.01.2009 - 30.06.2009	01.01.2008 - 30.06.2008
Interests from bank credits	175	321
Bank commissions		86
Financial costs due to financial lease agreements		
Loss from matured derivatives	9 752	
Balance measurement of derivatives		1 053
Surplus of the negative exchange differences over positive	1 603	1 400
Financial costs, total	11 530	2 860

DISCONTINUED ACTIVITY

In the six months of 2009 and six months of 2008 the Group did not discontinue any of business activity.

The assets and liabilities classified as held for sale within the period 01.01.-30.03.2009- did not occur.

PROFIT PER ONE SHARE

The basic profit per one share is calculated by dividing the net profit for the period for ordinary shareholders of the Group by the average weighted number of issued ordinary shares in the total period.

The diluted profit per one share is calculated by dividing the net profit per one share for ordinary shareholders (after deducting the interests from the redeemable preference shares convertible into the ordinary shares) by the average weighted number of issued ordinary shares in the period (corrected by influence of diluting options and diluting redeemable preference shares convertible into the ordinary shares).

Description	30.06.2009	30.06.2008
Net profit from continued activity per shareholders	1 057	1 516
Loss from the discontinued activity per shareholders		
Net profit per shareholders of the parent entity	1 057	1 516
Interests of redeemable preference shares convertible into ordinary shares		
Net profit per ordinary shareholders used to calculate the diluted profit per one share	1 057	1 516
Average weighted number of issued ordinary shares used to calculate the basic profit per one share	9 572 003	9 572 003
Influence of dilution:		
Equity option		
Redeemable preferences shares		
Corrected average weighted number of ordinary shares used to calculate the diluted profit per one share	9 572 003	9 572 003
Profit per one share	0,11	0,16

In the period between balance day and the date of this financial statement there were not any other transactions on ordinary shares or potential ordinary shares.

TANGIBLE FIXED ASSETS.

Description	30.06.2009	31.12.2008	30.06.2008
Fixed assets	45 648	46 247	41 465
Tangible fixed assets under construction	2 285	829	1 746
Advances for tangible fixed assets under construction			
Tangible fixed assets	47 933	47 076	43 211

Changes in tangible fixes assets (by categories)- for the period 01.01.2008-30.06.2008

Description	Lands	Buildings	Machinery and equipment	Means of transport	Other fixed assets	Total
Gross carrying amounts as for 01.01.2008	2 351	24 875	21 249	3 473	2 408	54 356
increases due to:	-	790	448	946	244	2 428
Purchase of fixed assets		558	448	643	244	1 893
Manufacturing the fixed assets at its own						
Concluded lease agreements				303		303
Other		232	-	-	-	232
Decreases due to:	-	230	93	222	10	555
Disposal, liquidation	-	-	93	222	10	325
Other	-	230	-	-	-	230
Gross carrying amounts as for 30.06.2008	2 351	25 435	21 601	4 197	2 642	56 229
Depreciation as for 01.01.2008	-	2 259	5 844	1 241	746	10 090
increases due to:	-	363	936	257	118	1 673
Amortization	-	363	936	257	118	1 673
revaluation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Decreases due to:	-	-	61	133	3	197
Disposal, liquidation	-	-	61	133	3	197
revaluation	-	-	-	-	-	-
Depreciation as for 30.06.2008	-	2 622	6 719	1 365	864	11 567
Revaluation allowances 01.01.2008	-	-	-	-	-	-
Revaluation allowances 30.06.2008	-	-	-	-	-	-
Net exchange differences from calculation the financial statement into the reporting currency	(148)	(1 393)	(1 516)	(53)	(88)	(3 198)
Gross carrying amounts as for 30.06.2008	2 203	21 420	13 369	2 779	1 694	41 465

Changes in tangible fixes assets (by categories)- for the period 01.01.2008-31.12.2008

Description	Lands	Buildings	Machinery and equipment	Means of transport	Other fixed assets	Total
Gross carrying amounts as for 01.01.2008	2 351	24 875	21 249	3 473	2 408	54 356
increases due to:	10	1 040	3 093	1 094	351	5 588
Purchase of fixed assets		765	3 071	791	317	4 944
Manufacturing the fixed assets at its own		275	22	-	34	331
Concluded lease agreements				303		303
Other	10	-	-	-	-	10
Decreases due to:	-	-	412	223	37	672
disposal	-	-	81	219	4	304
liquidation	-	-	331	4	33	368
Other	-	-	-	-	-	-
Gross carrying amounts as for 31.12.2008	2 361	25 915	23 930	4 344	2 722	59 272
Depreciation as for 01.01.2008	-	2 259	5 844	1 241	746	10 090
increases due to:	-	810	2 189	567	228	3 795
Amortization	-	810	2 189	567	228	3 795
revaluation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Decreases due to:	-	-	352	132	19	503
sales	-	-	85	128	1	214
liquidation	-	-	267	4	18	289
revaluation	-	-	-	-	-	-
Depreciation as for 31.12.2008	-	3 070	7 681	1 676	955	13 382
Revaluation allowances 01.01.2008	-	-	-	-	-	-
Revaluation allowances 31.12.2008	-	-	-	-	-	-
Net exchange differences from calculation the financial statement into the reporting currency	9	225	83	22	16	356
Gross carrying amounts as for 31.12.2008	2 370	23 070	16 332	2 691	1 784	46 247

Changes in tangible fixes assets (by categories)- for the period 01.01.2009-30.06.2009

Description	Lands	Buildings	Machinery and equipment	Means of transport	Other fixed assets	Total
Gross carrying amounts as for 01.01.2009	2 361	25 915	23 930	4 344	2 722	59 272
increases due to:	0	333	50	305	28	716
Purchase of fixed assets		243	50	153	28	474
Manufacturing the fixed assets at its own		90				90
Concluded lease agreements				152		152
Other						
Decreases due to:	-	-	59	19	-	78
disposal	-	-	38	19	-	57
liquidation	-	-	21	-	-	21
Other	-	-	-	-	-	
Gross carrying amounts as for 30.06.2009	2 361	26 248	23 921	4 630	2 750	59 910
Depreciation as for 01.01.2009	-	3 070	7 681	1 676	955	13 382
increases due to:	-	435	1 277	303	135	2 149
Amortization	-	435	1 277	303	135	2 149
revaluation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Decreases due to:	-	-	30	19	-	49
sales	-	-	17	19	-	36
liquidation	-	-	13	-	-	13
revaluation	-	-	-	-	-	-
Depreciation as for 30.06.2009	-	3 505	8 928	1 960	1 090	15 482
Revaluation allowances 01.01.2009	-	-	-	-	-	-
Revaluation allowances 30.06.2009	-	-	-	-	-	-
Net exchange differences from calculation the financial statement into the reporting currency	49	676	415	71	9	1 220
Gross carrying amounts as for 30.06.2009	2 410	23 419	15 408	2 741	1 669	45 648

Tangible fixed assets under construction:

Fixed assets under construction as for 01.01.2008	Expenses incurred In the fiscal year	Rozliczenie nakładów					As for 30.06.2008
		Buildings premises and civil and maritime engineering features	Machines and devices	Means of transport	Other fixed assets	Intangible assets	
1 391	2 510	790	441	642	212	70	1 746
Fixed assets under construction as for 01.01.2008	Expenses incurred In the fiscal year	Expenses settlements					As for 31.12.2008
		Buildings premises and civil and maritime engineering features	Machines and devices	Means of transport	Other fixed assets	Intangible assets	
1 391	5 517	1 000	4 136	644	211	87	829
Fixed assets under construction as for 01.01.2009	Expenses incurred In the fiscal year	Expenses settlements					As for 30.06.2009
		Buildings premises and civil and maritime engineering features	Machines and devices	Means of transport	Other fixed assets	Intangible assets	
829	2 221	333	33	141	20	238	2 285

IMPAIRMENT REVALUATION ALLOWANCE

IN the Group SECO/WARWICK any revaluation allowances for impairment of taxable fixed assets, intangible assets and reversals were carried out in the reported periods.

As for 30th June 2008 the trade receivables in the amount 891 k PLN (2008: 1,525 k PLN) were deemed as uncollectible and included to the allowance.

As for 30.06.2009 the Group does not have any fixed assets held for sale.

STOCKS

Description	30.06.2009	31.12.2008	30.06.2008
Materials (pursuant to purchase price)	16 205	16 186	16 547
Semi-finished products and products in progress	1 696	2 647	4 514
Finished products	209	1 145	1 268
Goods	9	124	92
Total stocks (carrying amount)	18 118	20 102	22 422
Allowances to reduce the stocks	1 176	1 311	1 059
Gross stocks	19 294	21 413	23 481

CHANGE IN THE ALLOWANCES TO REDUCE STOCKS

REVALUATION ALLOWANCES	30.06.2009	31.12.2008	30.06.2008
Opening balance	1 311	1 160	1 160
Increases, including:	-	157	
- Establishment of the revaluation allowances corresponding to the other operating costs		157	
Decreases including:	167	38	7
- release of the revaluation allowances corresponding to the other operating costs	167	38	7
Net exchange differences from calculation the financial statement into the reporting currency	32	32	(94)
Closing balance	1 176	1 311	1 059

DIVIDENDS PROPOSED OR ADOPTED TO THE DATE OF THIS FINANCIAL STATEMENT APPROVAL

In 2009 and 2008 any dividends has been paid out. To the date of publication of this financial statement any resolutions on dividends has been adopted.

GOODWILL

Increases/decreases in goodwill resulting from full consolidation of the subsidiary SECO/WARWICK Corporation is as follows:

Description	30.06.2009	31.12.2008	30.06.2008
Goodwill from consolidation as of acquisition date	3 660	3 660	3 660
Increase of goodwill from consolidation as a result of acquisition	-	-	-
Exchange differences from calcualtion of goodwill	1 110	792	(474)
Decrease of goodwill due to allowances	-	-	-
Zmniejszenie wartości firmy z tytułu sprzedaŜy	-	-	-
Closing balance of goodwill	4 770	4 452	3 186

LONG-TERM CONTRACTS

Description	30.06.2009	31.12.2008	30.06.2008
Incurred costs of the construction contact increased by the recognized profits (decreased by recognized losses)	57 507	98 064	92 327
Received prepayments	(43 863)	(67 338)	(84 445)
Surplus of prepayments received over the recognized revenues	4 587	5 290	14 533
Total contracts settlements	18 231	36 016	22 415

SECO/WARWICK

INVESTMENTS IN SUBSIDIARIES

Investments in the affiliates, joint-controlled entities and subsidiaries valued by the equity method

Company's name	Gross carrying amounts as for 30.06.2009	Percent of held shares	Percent of held votes	Method of consolidation	Value of assets	Value of liabilities	Value of revenues	Net profit/loss
Elterma S.A.	7 657	100%	100%	Full	41 603	2 841	15 753	(547)
SECO/WARWICK Corporation and	21 806	100%	100%	Full	29 711	29	12 857	(2 329)
SECO/WARWICK Moskwa	172	100%	100%	Full	669	6	281	11
SECO/WARWICK Tianjin	1 481	50%	50%	proportional	11 016	533	1 103	(733)
RETECH	16 597	50%	50%	equity	56 823	23 678	81 491	11 654
SECO/WARWICK ALLIED	10 995	50%	50%	equity	34 638	23 611	25 343	805

Company's name	Gross carrying amounts as for 31.12.2008	Percent of held shares	Percent of held votes	Method of consolidation	Value of assets	Value of liabilities	Value of revenues	Net profit/loss
Elterma S.A.	7 657	100%	100%	Full	51 176	23 822	72 667	5 041
SECO/WARWICK Corporation and	21 806	100%	100%	Full	32 821	17 547	41 963	123
SECO/WARWICK Moskwa	172	100%	100%	Full	678	474	461	6
SECO/WARWICK Tianjin	1 481	50%	50%	proportional	13 261	5 882	7 443	1 197
RETECH	16 597	50%	50%	equity	43 667	29 826	131 581	11 123
SECO/WARWICK ALLIED	10 995	50%	50%	equity	30 681	21 314	22 966*	797*

* For the period 01.04.2008 to 31.12.2008

INVESTMENT LIABILITIES

As for 30th June 2009 the Group has the liabilities for the fixed assets in the amount 52 k PLN; at the end of 2008 the investment liabilities were 121 k PLN; at the end of six months of 2008 they were 82 k PLN. These amount were intended to purchase new machines and devices.

SECO/WARWICK S.A. has the investment liabilities towards the company SECO/WARWICK ALLIED Pvt. LTD in the amount 2 374 k PLN, at of 30.06.2009 (as of 31.12.2008 the liability was 2,154 k PLN).

OTHER ASSETS AND FINANCIAL LIABILITIES

Granted loans including for the Management Board

In 2009 and 2009 there were any granted loans for the Management Board and members of the Supervisory Board.

	30.06.2009	31.12.2008	30.06.2008
Granted loans, including:	8	15	20
- long-term	3	3	14
- short-term	5	12	6

	30.06.2009		31.12.2008		30.06.2008	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives		10 788		15 971		1 053
Lease		640		594		733
TOTAL		11 429		16 565		1 786

Disclosures on derivatives meeting the hedging accounting criteria

The parent entity hedged in 2009 to 75% of the cash-flows from export denominated in EUR and to 90% cash-flow denominated in USD by the future contracts, forward contracts, zero-coupon options and purchased options. The aim of this strategy was to hedge the bid rate of contracts. The change of the value of cash-flows EUR/USD is compensated by the change of the fair value of the derivative. In case when the all criteria are met pursuant to § 88 IAS 39 the company applies the hedge accounting. The negative balance valuation of derivatives is directly recognized in the equity.

When the transaction for which the contract was concluded, affects the results- the negative valuation initially recognized in equity is reclassified to the results account. The fair value measurement of the currency contracts was prepared by the Bank, which is the party of this transaction.

The table below presents the description of all and any hedging relation in the parent entity as for 30/06/2009

Contract currency (In k EUR)	Hedging instrument currency (in k EUR)	Fair value of instrument (in k PLN)	Value recognized in P&L account (in PLN)	Value recognized in equity (in k PLN)	Date of expected cash-flow
805	604	-630	-493	-137	29-May-09
547	410	-455	-255	-200	30-Sept-09
747	560	-602	-578	-24	31-Jul-01
400	300	-345	-232	-113	27-Jan-10
80	65	-65	-9	-56	31-Aug-09
821	615	-618	-515	-103	30-Oct-09
126	100	-102	-85	-17	31-Dec-09
3526	2 654	-2 817	-2 167	-650	

Contract currency (In k USD)	Hedging instrument currency (in k USD)	Fair value of instrument (in k PLN)	Value recognized in P&L account (in PLN) PLN)	Value recognized in equity (in k PLN)	Date of expected cash-flow
690	1170	-1217	-1034	-183	30-wrz-09
952	700	-446	-321	-125	30-wrz-09
190	140	-91	-66	-25	30-lis-09
1832	2010	-1754	-1421	-333	

Disclosures on derivatives not meeting the hedging accounting criteria

On 21.08.2008 the parent entity concluded with Raiffeisen Bank SA seated in Warsaw the contract. This transaction was concluded with the exchange rate spot 3.31 EUR/PLN. As for 30.06.2009 the company is obliged to sale jointly 400 k EUR at the exchange rate 3.35 EUR/PLN. The concluded contracts give the right to SECO/WARWICK SA to sale 200 k EURO at the exchange rate 3.35. The settlements are in two weeks time- the last one on 29/07/2009. In case when the exchange rate as of the settlement date is lower than 3.24 EUR/PLN this settlement is not made and SECO/WARWICK SA receives the compensation in the amount of 11 k PLN. The concluded contracts are aimed to hedge the budget exchange rate of the contracts. The fair value of the financial instruments as for the balance day recognized in the financial costs in the results account is 454 k PLN. The fair value measurement was prepared by the Bank, which is the party of this transaction.

On 22th August 2008 the parent entity concluded with Citibank Handlowy SA seated in Warsaw secuturized futures contract. As for 30.06.2009 the company is obliged to sale jointly 4.500 k EUR at the exchange rate 3.35 EUR/PLN. The concluded contract gives the right to SECO/WARWICK SA to sale 320 k EUR at the exchange rate 3.35 EUR/PLN. The concluded futures contract is aimed at hedging the budget exchange rate of contracts. The fair value of the financial instrument as for 30.06.2009 is -5,370 k PLN. The fair value measurement was prepared by the Bank, which is the party of this transaction.
On 21.04.2009 the parent entity concluded futures bond at the Warsaw Commodities Exchange for the amount 800 k EUR in order to hedge the budget exchange rate of the contract. The fair

value of the financial instrument as for 30.06.2009 is +36 k PLN. On the same day at the WCE the Company concluded the standards spread in the amount of 2,400 k EUR hedging the budget exchange of contract. The scope of spread is 4.20 EUR/PLN (PUT)- 4.66 EUR/PLN (CALL). The fair value of the financial instrument as for 30.06.2009 is -232 k PLN. On 14.05.2009 the next spread was concluded for the amount 1,800 k EUR. The scope of spread is 4.20 EUR/PLN (PUT)- 4.84 EUR/PLN (CALL).
The fair value of the financial instrument as for 30.06.2009 is -62 k.

On 15.05.2009 the company LZT ELTERMA S.A. concluded with Raiffeisen Bank Polska Spółka Akcyjna seated in Warsaw the currency option transactions, so called Zero-cost spread, determined within 4.20 -4.70 EUR/PLN pursuant to the specification below:

Base currency Non-base currency	Buy/sell	Amount in base currency (in k PLN)	Option	Transaction on bid rate	Date of realization	Date of settlements
EUR/PLN	Buy	550	PUT	4,2000	2009-08-27	2009-08-31
EUR/PLN	sell	550	CALL	4,7500	2009-08-27	2009-08-31
EUR/PLN	Buy	550	PUT	4,2000	2009-09-28	2009-09-30
EUR/PLN	sell	550	CALL	4,7500	2009-09-28	2009-09-30
EUR/PLN	Buy	500	PUT	4,2000	2009-12-21	2009-12-23
EUR/PLN	sell	500	CALL	4,7500	2009-12-21	2009-12-23

The concluded contracts are aimed to hedge the budget exchange rate of the contracts. The fair value of the financial instruments as for the balance day recognized in the financial costs in the results account is – 74.556,73 PLN. The fair value measurement was prepared by the Bank, which is the party of this transaction.

Disclosures on the expected cash-flows and maturity dates of the currency forwards

30/06/2009	Total nominal of CF (in k EUR)	Cash-flow signed contracts (In k EUR)
Jul-09	1 410	5 748
Aug-09	915	1 888
Sep-09	2 060	2 260
Oct-09	915	523
Nov-09	904	928
Dec-09	1 050	516
Jan-10	600	1648
Feb-10	300	1617
Mar-10	4500	481
Apr-10	300	0
May-10	300	549
Jun-10	300	560
Jul-10	450	323
Aug-10	150	0
TOTAL EUR	14 154	17 041

30/06/2009	Total nominal of CF (in k USD)	Cash-flow signed contracts In k USD)
Jul-09		1 154
Aug-09		575
Sep-09	1 870	58
Oct-09		190
Nov-09	140	313
Dec-09		73
Jan-10		218
Feb-10		8
TOTAL USD	2 010	2 589

ADJUSTMENTS OF FUNDAMENTAL ERRORS

In this interim consolidated financial statement there were any adjustments of fundamental errors concerning the financial statements from the previous periods. Such errors did not occur.

Contingent liabilities

Contingent liabilities due to granted warranties and guarantees:

30.06.2009	Bank	Title	Currency	30.06.2009	AMOUNT PLN*	Name of company
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	
Guarantee 18	BRE	PBG	EUR	41	184	LZT
Guarantee 19	BRE	CRB	USD	71	316	Elterma
Guarantee 20	BRE	PBG	EUR	23	103	
Guarantee 21	HUNTINGTON	PBG	USD	313	993	SWC
TOTAL				5 999	19 192	

* Warranties were calculated at the average exchange rate of NPB from 30.06.2009

Contingent liabilities due to granted warranties and guarantees:

31.12.2008	Bank	Title	Currency	31.12.2008	AMOUNT PLN	Company's name
Guarantee 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	USD	119	352	
Guarantee 3	BRE	PBG	EUR	62	257	
Guarantee 4	BRE	APG	EUR	750	3 129	
Guarantee 5	BRE	APG	EUR	41	173	
Guarantee 6	BRE	APG	EUR	41	173	
Guarantee 7	BH	CRB	USD	300	889	
Guarantee 8	BRE	PBG	EUR	65	271	
Guarantee 9	BRE	APG	EUR	409	1 705	
Guarantee 10	BRE	APG	EUR	260	1 086	
Guarantee 11	BRE	APG	EUR	260	1 086	
Guarantee 12	BRE	APG	EUR	409	1 705	
Guarantee 13	BRE	APG	EUR	152	634	
Guarantee 14	BRE	PBG	EUR	67	277	
Guarantee 15	BRE	PBG	EUR	100	417	
Guarantee 16	BRE	APG	USD	762	2 256	
Guarantee 17	RCB	APG	EUR	316	1 318	
Guarantee 18	BRE	APG	EUR	152	634	
Guarantee 19	BRE	PBG	EUR	37	153	
Guarantee 20	RCB	APG	PLN	644	644	
Guarantee 21	BH	APG	PLN	830	830	LZT Elterma
Guarantee 22	BRE	PBG	PLN	766	766	
Guarantee 23	TU Euler Hermes S.A.	APG	PLN	1 161	1 161	
Guarantee 24	BRE	PBG	EUR	41	172	
Guarantee 25	RCB	APG	EUR	58	242	
Guarantee 26	HUNTINGTON	PBG	USD	131	389	SECO/ WARWICK Corp.
Guarantee 27	HUNTINGTON	PBG	USD	313	927	
Guarantee 28	HUNTINGTON	PBG	USD	59	173	
TOTAL					21 855	

**** Warranties were calculated at the average exchange rate of NPB from 31.12.2008**

APG advance payment return
BB bid bond
CRB credit payment
PBG performance bond guarantee
ABLC stand-by letter of credit
WAD big bond
CRB credit payment

On 23.05.2009 upon the request of the parent entity SECO/WARWICK SA Citi Bank Handlowy in Warsaw granted irrevocable, unconditionalble guarantee for credit payment (capital, interests and other fees) to the maximum amount 300,000 USD for CitiBank (China) Co. in case when SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd will not meet the conditions of the credit granted by Citibank (china) Co.

Information on received guarantees as of 30.06.2009 are presented in the table below:

Company's name	Bank	Title	Currency	30.06.2009	AMOUNT PLN
SECO/WARWICK S.A.	Millenium	WG	PLN	200	200
LZT ELTERMA	PZU S.A.	Insurance warranty of receivables payment	EUR	451	2 018
RAZEM					2 218

*** Warranties were calculated at the average exchange rate of NPB from 30.06.2009**

Information on received guarantees as of 31.12.2008 are presented in the table below:

Nazwa Spółki	Bank	Tytułem	Waluta	31.12.2008	KWOTA PLN**
SECO/WARWICK S.A.	Millenium	WG	PLN	100	100
	Millenium	WG	PLN	200	200
LZT ELTERMA	PZU S.A.	Insurance warranty of receivables payment	EUR	2 144	8 946
	KBC BANK NV (Belgium)	Bank guarantee	EUR	476	1 988
TOTAL					11 234

**** Warranties were calculated at the average exchange rate of NPB from 31.12.2008**

WG well performance of guarantee services

PROVISIONS FOR RESTRUCTURING COSTS

The Group SECO/WARWICK within the period 30.06.2008-30.06.2009 has not released the provisiosn for the restructuring costs.

SETTLEMENTS DUE TO COURT PROCEEDINGS

In the Management Board's opinion there are any significany settlements due to the court proceedings.

INFORMATION ON RELATED ENTITIES

30.06.2009								
Receivables / Liabilities	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moskwa	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 Moskwa	62			X				
SECO/WARWICK S.A.	1 633		165		X		1 407	191
SECO/WARWICK TIANJIN						X		
Retech Systems LLC							X	X
Allied Consulting	782							

31.12.2008							
Receivables / Liabilities	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moskwa	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC
ELTERMA S.A.	X	4		115	723		
ELTUS	51	X			5		
SECO/WARWICK Corp.	277		X		187		
SECO/WARWICK Moskwa	35			X			
SECO/WARWICK S.A.	1 924		1 018	2	X		3 478
SECO/WARWICK TIANJIN						X	
Retech Systems LLC					123		X
Allied Consulting	1 367						

30.06.2009								
Revenues from sales / purchase	SECO/ WARWICK SA	Elterma	Eltus	SECO/ WARWICK Moskwa	SECO/ WARWICK Corp.	SECO/ WARWICK TIANJIN	RETECH	ALLIED
SECO/WARWICK S.A.	X	755	12		196	5	7	
Elterma S.A.	521	X	19	281				
Eltus sp. z o.o.	31	502	X					
SECO/WARWICK Moskwa		336		X				
SECO/WARWICK Corp.*		28			X			
SECO/WARWICK TIANJIN	35					X		
RETECH	1 948						X	
ALLIED		1 310						

31.12.2008								
Revenues from sales / purchase	SECO/ WARWICK SA	Elterma	Eltus	SECO/ WARWICK Moskwa	SECO/ WARWICK Corp.	SECO/ WARWICK TIANJIN	RETECH	ALLIED
SECO/WARWICK S.A.	X	2 243			552	143	13 473	533
Elterma S.A.	2 971	X	42	-13				
Eltus sp. z o.o.	54	1 342	X					
SECO/WARWICK Moskwa		550		X				
SECO/WARWICK Corp.*	1 000	58			X			
SECO/WARWICK TIANJIN	1 091					X		
RETECH	2 310						X	
ALLIED		1 828						

BUSINESS COMBINATIONS

IN the six months of 2009 there were not any business combination and acquisition of the minority interests.

IMPORTANT EVENTS AFTER THE INTERIM PERIOD COMPLETION, WHICH WERE NOT REFLECTED IN THE FINANCIAL STATEMENT FOR THE RELEVANT INTERIM PERIOD

Such transactions die not occur.

CHANGE OF PRESENTATION

The Group has changed the method of presentation in the financial statement, statement on comprehensive income and statement of cash-flow derivatives. The change of presentation in the statement of financial conditions was made. Previously in the item "financial liabilities measured at the fair value through financial result „the liabilities due to derivatives were presented, now in the item" financial liabilities measured at fair value" include the liabilities due to derivatives and leasing.
In the comprehensive income statement the change of presentation of the realized exchange rates due to derivatives. The items "investment revaluation" and "profit/loss from investment disposal" are presented separately.
Previously the derivatives were recognized in the cash-flow statement in the item short-term liabilities. Now the realized part of derivatives is presented in the item "profit (loss) from investment activity" and the measurement of derivatives in "balance valuation of derivatives". The Group decided that the change of presentation will be more accurate to the economic content.
As a result the following items were changes in the six months of 2008:

	Before adjustment		After adjustment
Description	01.01.2008-30.06.2008	adjustment	01.01.2008-30.06.2008
CONSOLIDATED FINANCIAL STATEMENT			
Financial liabilities measured at fair value	1 053	219	1 272
Other short-term liabilities	4 964	(219)	4 745
TOTAL LIABILITIES	215 654	-	215 654
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT			
FINANCIAL REVENUES	338	350	688
FINANCIAL COSTS	(2 510)	(350)	(2 860)
Net profit (loss)	1 516	-	1 516
CONSOLIDATED STATEMENT ON FINANCIAL CONDITION			
OPERATING ACTIVITY			
Profit (loss) from investment activity	23	(350)	(327)
Balance measurement of derivatives	-	1 053	1 053
Short-term liabilities change	(1 643)	(1 053)	(2 696)

Net cash-flow from operating activities	**(2 098)**	**(350)**	**(2 448)**
INVESTMENT ACTIVITY			
Pecuniary assets due to derivatives	**-**	**350**	**350**
Net cash-flow from the investment activity	**(12 418)**	**350**	**(12 068)**

Date: 28th August 2009

Leszek Przybysz
President of the 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