THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS FOR THE PERIOD

JANUARY 1ST–MARCH 31ST 2011

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONTENTS

1. General information

Information on the SECO/WARWICK Group

The parent undertaking of the SECO/WARWICK Group is SECO/WARWICK Spółka Akcyjna of Świebodzin. SECO/WARWICK S.A. was incorporated as a result of the transformation of a limited liability company (spółka z ograniczoną odpowiedzialnością – Sp. z o.o.) into a joint-stock company (spółka akcyjna – S.A.) under the name of SECO/WARWICK S.A. with registered office in Świebodzin. The transformation was effected in accordance with the provisions of the Polish Commercial Companies Code. On December 14th 2006, the General Shareholders Meeting of SECO/WARWICK Sp. z o.o of Świebodzin adopted a resolution approving the transformation. In the same notarial deed, all the shareholders of SECO/WARWICK Sp. z o.o. submitted a representation on joining the joint-stock company under the name of SECO/WARWICK S.A. of Świebodzin and on acquisition of Series A Shares.

On January 2nd 2007, SECO/WARWICK S.A. was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000271014, by virtue of the decision issued by the District Court of Zielona Góra, VIII Commercial Division of the National Court Register, on January 2nd 2007.

The product range of the SECO/WARWICK Group comprises five main product categories:

- vacuum furnaces,
- aluminium heat exchanger brazing systems,
- aluminium heat treatment systems,
- atmosphere furnaces,
- metallurgy equipment used for melting and vacuum casting of metals and specialty alloys.

The SECO/WARWICK Group's operations are divided into five business segments corresponding to the product groups:

- vacuum furnaces (Vacuum),
- aluminium heat exchanger brazing systems (Controlled Atmosphere Brazing),
- aluminium heat treatment systems (Aluminium Process),
- atmosphere furnaces (Thermal),
- metallurgy equipment used for melting and vacuum casting of metals and specialty alloys (Melting Furnaces).

SECO/WARWICK S.A. is the direct parent undertaking of the following three subsidiaries:

- SECO/WARWICK ThermAL S.A. (formerly: Lubuskie Zakłady Termotechniczne Elterma S.A.)
- SECO/WARWICK Corporation
- SECO/WARWICK of Delaware Inc.
- OOO SECO/WARWICK Group Moscow
- Retech Systems LLC
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.

- Retech Tianjin Holdings LLC

Other Group members are:

- SECO/WARWICK Industrial Furnace Co. Ltd. (Tianjin) China
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India

The aforementioned companies are described in detail in the table below.

Group structure as at March 31st 2011

Table: As at March31st 2011, the SECO/WARWICK Group comprised the following entities

Company	Registered office	Business profile	Method of consolidation / valuation of equity holding	% of share capital held by the Group
Parent undertaking				
SECO/WARWICK S.A.	Świebodzin	Manufacture of vacuum furnaces, aluminium heat exchanger brazing systems and aluminium heat treatment systems	N/A	N/A
Direct and indirect subsidiaries				
SECO/WARWICK ThermAL S.A. (1)	Świebodzin	Manufacture of metal heat treatment equipment	Full method	100%
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of metal heat treatment equipment	Full method	100%
SECO/WARWICK of Delaware, Inc (2)	Wilmington (USA)	Management of holding companies; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	Full method	100%
OOO SECO/WARWICK Group Moscow	Moscow (Russia)	Distribution of the SECO/WARWICK Group's products	Full method	100%
Retech Systems LLC (3)	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	Full method	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd. (4)	Tianjin (China)	Manufacture of metal heat treatment equipment	Full method	100%
Retech Tianjin Holdings LLC (5)	(USA)	Management of holding companies	Full method	100%
SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. (6)	Tianjin (China)	Manufacture of metal heat treatment equipment	Proportional method	50%
SECO/WARWICK Allied Pvt. Ltd. (7)	Mumbai (India)	Manufacture of metal heat treatment equipment	Equity method	50%

(1) On January 5th 2011, by virtue of Resolution No. 1 concerning amendments to the company's articles of association, the extraordinary general shareholders meeting of Lubuskie Zakłady Termotechniczne Elterma S.A. renamed subsidiary Lubuskie Zakłady Termotechniczne Elterma S.A. as SECO/WARWICK ThermAL S.A.

(2) SECO/WARWICK of Delaware, Inc is an indirect subsidiary owned through SECO/WARWICK Corp., which holds a 100% stake in SECO/WARWICK of Delaware, Inc.

(3)On November 16th 2010, SECO/WARWICK S.A. and James A. Goltz, a co-owner of Retech Systems LLC (USA), made an arrangement concerning acquisition by SECO/WARWICK S.A. of a 50% equity interest in Retech Systems LLC. As a result of the transaction, Retech Systems LLC became a wholly-owned subsidiary of SECO/WARWICK S.A.

(4)SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd. of China. The company is located in a special economic zone in Tianjin. SECO/WARWICK Retech is a 50/50 joint venture of SECO/WARWICK S.A. and Retech Systems LLC. SECO/WARWICK Retech promotes products from the following ranges: vacuum furnaces, CAB, atmosphere furnaces and other equipment manufactured on the basis of Retech's technology.

(5) Retech Tianjin Holdings LLC is an indirect subsidiary owned through Retech Systems LLC of USA, which holds a 100% stake in Retech Tianjin Holdings LLC.

(6) SECO/WARWICK S.A., SECO/WARWICK Corp. and Tianjin Kama Electric hold, respectively, 25%, 25% and 50% of the share capital of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. SECO/WARWICK S.A and SECO/WARWICK Corp. are entitled to appoint two-thirds of the members of the Chinese company's supervisory board.

(7) The shares held by SECO/WARWICK S.A. represent 50% of SECO/WARWICK Allied Pvt. Ltd.'s share capital and confer the right to 50% of the total vote at the company's general shareholders meeting.

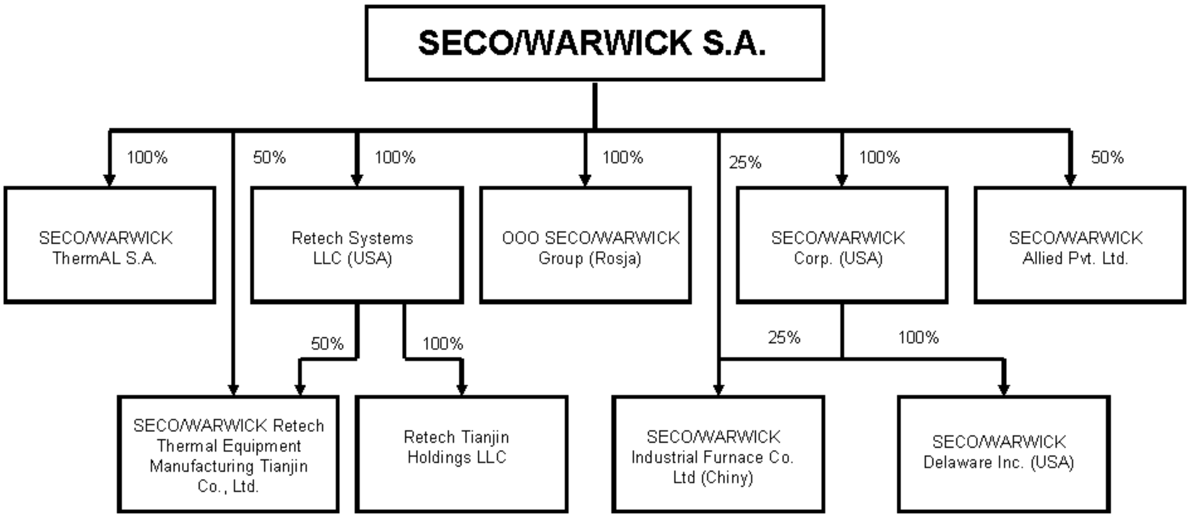
Composition of the SECO/WARWICK Group as at this Report's release date

On November 16th 2010, SECO/WARWICK S.A. and James A. Goltz, a co-owner of Retech Systems LLC (USA), made an arrangement concerning acquisition by SECO/WARWICK S.A. of a 50% equity interest in Retech Systems LLC. As a result of the transaction, Retech Systems LLC became a wholly-owned subsidiary of SECO/WARWICK S.A.

On January 5th 2011, by virtue of Resolution No. 1 concerning amendments to the company's articles of association, the general shareholders meeting of subsidiary Lubuskie Zakłady Termotechniczne Elterma S.A. renamed Lubuskie Zakłady Termotechniczne Elterma S.A. as SECO/WARWICK ThermAL S.A.

After March 31st 2011 and until the publication of this Report, there were no changes in the composition of the SECO/WARWICK Group.

Structure of the SECO/WARWICK Group as at March 31st 2011:



2. Description of the adopted accounting policies, including methods of measurement of assets, equity and liabilities, revenue and expenses

The consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value through the statement of comprehensive income (or in accordance with IAS 39 if hedge accounting is applied).
The consolidated financial statements are presented in the złoty (“PLN”), and unless specified otherwise, all the values are given in thousands of PLN.

The accounting policies and calculation methods applied in the preparation of these financial statements are consistent with those applied in the most recent annual financial statements.

Presentation of financial statements

<u>Presentation of the statement of financial position</u>
In accordance with IAS 1 *Presentation of Financial Statements*, assets and liabilities are presented in the statement of financial position as current and non-current.
In accordance with IFRS 5, non-current assets held for sale are presented separately in the statement of financial position.
<u>Presentation of the statement of comprehensive income</u>
In accordance with IAS 1 *Presentation of financial statements*, in the statement of comprehensive income expenses are presented by function.
<u>Earnings per share</u>
Net earnings per share for each period are determined by dividing net profit for the period by the weighted average number of shares outstanding in the period. The weighted average number of shares accounts for the dilutive effect related to the issue of shares on the Warsaw Stock Exchange.

Intangible assets

As intangible assets the Group recognises assets which are identifiable (i.e. which can be separated or sold), are controlled by the entity and are highly probable to bring future economic benefits to the entity.
Intangible assets include mainly software and development expense, and are initially recognised at cost, which includes purchase price, import duties and non-deductible taxes included in the price, decreased by discounts and rebates and increased by all expenditure directly connected with the preparation of the asset for its intended use.
In order to determine whether a self-created intangible asset meets the recognition criteria for an asset, the entity distinguishes two phases in the asset origination process:
- the research phase,
- the development phase.

All costs originating in the first phase are charged directly to expense of the period.
Components of intangible items created as a result of development work are capitalised by the Group only if the following criteria are met:
- it is certain that the intangible asset will be completed,
- it is possible to demonstrate that the asset can be used or sold,
- the expenditure incurred can be measured reliably.

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

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

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

Property, plant and equipment

Property, plant and equipment are carried at cost less cumulative depreciation and impairment losses, if any.
Depreciation is charged using the straight-line method by estimating the useful life of a given asset, which is:

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

Non-current assets held under finance lease agreements have been disclosed in the statement of financial position equally with other non-current assets and are depreciated in the same way.
The initial values of non-current assets held under finance lease agreements and of the obligations corresponding with such assets have been determined at amounts equal to the discounted value of

future lease payments. Lease payments made in the reporting period have been charged against finance lease liabilities in an amount equal to the principal instalment and the excess (the finance charge) has been charged in full to finance expenses of the period.
Any gains and losses arising on a sale or liquidation are determined as the difference between the income from the sale and the net value of the tangible assets, and are included in the statement of comprehensive income.
The Group has adopted the principle that the residual value of tangible assets is always equal to "zero".

Tangible assets under construction

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

Investment property

The Group classifies as investment property all property which is considered a source of income (earns rentals) and/or is held for capital appreciation.
Investment property is carried at cost less cumulative depreciation and impairment losses, if any.
Depreciation is charged over the estimated useful life of the investment property, using the straight line method. Land is not depreciated.

Financial assets and liabilities

Financial assets include interests in associates, assets at fair value through the statement of comprehensive income, hedging derivatives, loans and receivables and cash and cash equivalents.
Financial liabilities include loans and borrowings, other types of financing, overdraft facilities, financial liabilities at fair value through the statement of comprehensive income, hedging derivatives, trade payables, liabilities to suppliers of tangible assets, and lease liabilities.
Except for investments in subsidiaries, jointly controlled undertakings and associates, which are carried at cost in accordance with IAS 27 and IAS 28, financial assets and liabilities are recognised and measured in line with IAS 39 *Financial Instruments: Recognition and Measurement*.

Recognition and measurement of financial assets

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

Receivables

Trade receivables are recognised and carried at amounts initially invoiced, less any impairment losses on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of a receivable is no longer probable.
If the effect of the time value of money is material, the value of a receivable is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. If the discount method has been applied, any increase in the receivable with the passage of time is recognised as finance income.
Other receivables include in particular prepayments made in connection with planned purchases of property, plant and equipment, intangible assets and inventories. As non-monetary assets, prepayments are not discounted.

Cash and cash equivalents

Cash and cash equivalents are held mainly in connection with the need to meet the Group's current demand for cash and not for investment or any other purposes.
Cash and cash equivalents include cash in bank accounts, cash in hand, as well as all liquid instruments which may immediately be converted into cash of known amount and in the case of which the risk of value changes is insignificant.

Recognition and measurement of financial liabilities

Liabilities under loans and other financial liabilities are initially recognised at fair value and then carried at amortised cost using the effective interest rate method.
Transaction costs directly connected with acquisition or issue of a financial liability increase the carrying value of the liability, because upon initial recognition the liability is recognised at the fair value of amounts paid or received in exchange for the liability. Thereafter, such costs are amortised throughout the term of the liability, using the effective interest rate method.

Hedge accounting

Hedge accounting recognises the offsetting effects on the statement of comprehensive income of changes in the fair value of hedging instruments and the hedged items.
There are three types of hedging relationships:

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

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

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

Inventories

Inventories are measured at cost, using a weighted average cost formula. Any downward adjustment of the value of inventories to the net selling price is made through recognition of impairment losses. Furthermore, inventories that are slow-moving or which have become obsolete or whose usability has become in any way limited, are revalued as at the end of each financial year. If the circumstances leading to a decrease in the value of inventories cease to apply, a reverse adjustment is made, i.e. inventories are remeasured at their pre-impairment value.
Impairment losses on inventories and stock-taking discrepancies are charged to cost of products sold.

Deferred income tax

In line with IAS 12 *Income Taxes*, deferred income tax is determined using the liability method and recognised in the financial statements for all temporary differences between the carrying amounts of assets and liabilities and their tax values, as well as for any unused tax loss carry-forwards. Deferred tax assets are recognised for temporary differences to the extent it is probable that the assets will be realised and that taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed at each balance-sheet date. Any previously unrecognised deferred tax assets are recognised to the extent it is probable that there will be future taxable income against which the assets can be realised.
Deferred tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries and associates only to the extent it is probable that:
- the temporary differences will reverse in the foreseeable future, and
- taxable profit will be available against which the temporary differences can be utilised.
In line with IAS 12, deferred tax assets and liabilities are not discounted. Deferred income tax is determined based on the tax rates that have been enacted or substantively enacted as at the balance-sheet date.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets, but only when it is practically certain to occur.
The cost related to a given provision is recognised in the statement of comprehensive income net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method has been applied, any increase in the provision with the passage of time is charged to finance expenses.
The estimates of outcome and financial effect are determined by the judgement of the companies' management, based on past experience of similar transactions and, in some cases, reports from independent experts.
Provisions are reviewed at each balance-sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.
The Group creates the following provisions:

- provision for warranty repairs – on the basis of the historical cost of warranty repairs;
- provision for unused holidays – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay;

- provision for retirement benefits and length-of-service awards – calculated by actuaries;
- provision for employee benefits – bonus payments, salaries and wages;
- provision for probable costs related to the current financial year which will only be invoiced in the following year (accrued expenses). Depending on the type of accrued expenses, they are charged to costs of products sold, selling costs or general and administrative expenses;
- provision for a defined benefit plan. Fixed contributions are paid to a separate entity (a fund), as a consequence of which the actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) are borne by the Group.

Assumptions underlying the estimates and the provision amounts are reviewed at each balance-sheet date.

Accruals and deferrals

In order to ensure the matching of revenues with related expenses, expenses or revenues relating to future periods are posted under liabilities of a given reporting period.
Accrued expenses
The Group recognises accrued expenses at probable values of current-period liabilities arising in particular under:

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

Deferred and accrued income
Deferred/accrued income includes primarily government grants intended to finance assets and revenue, as well as any excess of estimated revenue related to the stage of completion of a long-term contract, in accordance with IAS 11, over advances received.
Government grants are disclosed in the statement of financial position at the amount of funds received and then recognised as income over the periods necessary to match them with the related costs they are intended to compensate, on a systematic basis. Government grants are not credited directly to equity.
Accruals and deferrals settled over a period longer than 12 months as from the balance-sheet date are classified as non-current accruals and deferrals, whereas those settled over a period of 12 months or shorter are classified as current accruals and deferrals.

Functional currency and presentation currency

a) Functional currency and presentation currency

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

b) Transactions and balances

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

Material judgements and estimates

In view of the fact that many items presented in the consolidated financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the consolidated financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience.

Depreciation/amortisation charges

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

Depreciation/amortisation charges for assets used under finance lease agreements

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

Deferred tax assets

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

Provision for unused holidays

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

Provision for old-age and disability retirement benefits

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

Provision for warranty repairs

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

Long-term contracts

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

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

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

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

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

a) such costs can be measured reliably,

b) the value of the cooperation contract is PLN 250,000–500,000.

c) the contract performance term is longer than three months.

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

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

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

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

Subjective judgement

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

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

Changes in accounting policies

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

Amendment to IFRS 2 *Share-Based Payment*

Amendment to IFRS 2 was published by the International Accounting Standards Board on March 23rd 2010. Companies are required to apply the amendments no later than on commencement of their first financial year beginning on or after December 31st 2009.

This IFRS is not applicable to transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 *Business Combinations* (as revised in 2008), in a combination of entities or businesses under common control as described in paragraphs B1–B4 of IFRS 3, or the contribution of a business on the formation of a joint venture as defined by IAS 31

Interests in Joint Ventures. Hence, equity instruments issued in a business combination in exchange for control of the acquiree are not within the scope of IFRS 2. However, equity instruments granted to employees of the acquiree in their capacity as employees are within the scope of IFRS 2.
IFRS 3 (as revised in 2008) and Improvements to IFRSs issued in April 2009 amended paragraph 5 of IFRS 2. Those amendments are effective for annual periods beginning on or after July 1st 2009. Early application is permitted. If an entity applies IFRS 3 (revised 2008) for an earlier period, it is required to apply the amendments for that earlier period.
The Group have applied the standard from the annual financial statements for the period that begins on January 1st 2010.

Amendments to IFRS 2 *Share-Based Payment*

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

Revised IFRS 3 *Business Combinations*

Revised IFRS 3 was published by the International Accounting Standards Board on January 10th 2008 and is effective prospectively for annual periods beginning on or after July 1st 2009. The revised standard continues to apply the acquisition method of accounting for business combinations, however with some significant changes. For instance, all payments to purchase a business should be recognised at their acquisition-date fair value, with contingent payments classified as debt subsequently remeasured through profit or loss. Additionally, the revised standard defines new rules of applying the acquisition method, including a requirement to recognise acquisition-related costs as expenses in the period in which they are incurred. Moreover, there is a choice to measure the minority interest (non-controlling interest) in an acquiree either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.
The Group applied the standard to the annual financial statements for the period starting January 1st 2010.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Amendment to IFRS 5 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted. Early application is permitted and must be disclosed.
The amendments specify the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or as discontinued operations.

Amendment to IFRS 8 *Operating Segments*

Amendment to IFRS 8 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and must be disclosed.
The amendments introduce changes in disclosures relating to profit or loss, assets and liabilities.
The Group first applied the standard in the annual financial statements for the period beginning on January 1st 2010.

Revised IAS 27 *Consolidated and Separate Financial Statements*

Revised IAS 27 was published by the International Accounting Standards Board on January 10th 2008 and is effective for annual periods beginning on or after July 1st 2009. The standard requires that the effects of transactions with minority shareholders be presented within equity as long as the entity remains under the control of the existing parent. The standard provides also a more detailed guidance on disclosure in the event of loss of control over a subsidiary, i.e. it requires that the residual holding be remeasured to fair value and the difference recognised in profit or loss.
The Group has applied the revised IAS 27 prospectively to transactions with minority shareholders (holders of non-controlling interests) starting from the annual financial statements for the period that begins on January 1st 2010.

Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*

The amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* were published by the International Accounting Standards Board on March 12th 2009 and are effective for annual periods ended on or after June 30th 2009.
The amendments constitute an improvement on the amendments to IFRIC 9 and IAS 39 issued in October 2008 concerning embedded derivatives. The amendments clarify that on reclassification of a financial asset out of the “at fair value through profit or loss” category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.
The Group commenced to apply the amendments to IFRIC 9 and IAS 39 as of January 1st 2010.

Improvements to IFRSs 2009

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

IAS 1 *Presentation of Financial Statements*

Amendment to IAS 1 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and must be disclosed.
The amendments change the rules of classification of liabilities as current.
The Group first applied the standard in the annual financial statements for the period beginning on January 1st 2010.

IAS 7 *Statement of Cash Flows*

Amendment to IAS 7 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and must be disclosed.
The amendments clarify that only those expenditures which result in assets recognised in the statement of financial position can be classified as investing activity.
The Group first applied the standard in the annual financial statements for the period beginning on January 1st 2010.

IAS 17 *Leases*

Amendment to IAS 17 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and must be disclosed.
The amendments relate to classification of leases when a lease includes both land and buildings.
The Group first applied the standard in the annual financial statements for the period beginning on January 1st 2010.

IAS 36 *Impairment of Assets*

Amendment to IAS 36 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and must be disclosed.

The amendments change the rules of assigning goodwill to cash generating units.
The Group first applied the standard in the annual financial statements for the period beginning on January 1st 2010.

Amendment to IAS 38 *Intangible Assets*

Amendment to IAS 38 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and must be disclosed.
The amendments introduce changes in recognition and measurement of fair value of intangible assets acquired in business combinations. Amounts recognised in connection with intangible assets and goodwill, arising on business combinations in previous periods, may not be adjusted. If an entity applies IFRS 3 (as revised in 2008) for an earlier period, it is required to apply the amendment for that earlier period and disclose that fact.
The Group first applied the standard in the annual financial statements for the period beginning on January 1st 2010.

IAS 39 *Financial Instruments: Recognition and Measurement*

Amendment to IAS 39 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application is permitted and must be disclosed.
The amendments introduce changes in the scope of the standard, classification of items as hedged items and hedging of cash flows.
The Group first applied the standard in the annual financial statements for the period beginning on January 1st 2010.

IFRIC 9 *Reassessment of Embedded Derivatives*

Amendment to IFRIC 9 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. If an entity applies IFRS 3 (as revised in 2008) for an earlier period, it is required to apply the amendment for that earlier period and disclose that fact.
The amendments relate to the scope of the standard. This interpretation does not apply to embedded derivatives acquired in:
a) business combinations (as defined in IFRS 3 *Business Combinations*, as revised in 2008);
b) a combination of entities or businesses under common control as described in paragraphs B1–B4 of IFRS 3 (revised 2008); or
c) the formation of a joint venture as defined in IAS 31 *Interests in Joint Ventures* or their possible reassessment at the date of acquisition.
The Group has applied IFRIC 9 starting from the annual financial statements for the period that begins on January 1st 2010.

IFRIC 12 *Service Concession Arrangements*

Interpretation IFRIC 12 was issued by the International Financial Reporting Interpretations Committee on November 30th 2006 and is effective for annual periods beginning on or after March 29th 2009. The interpretation provides guidance for application of the existing standards by entities participating in service concession arrangements between the private and the public sector. IFRIC 12 applies to

contracts under which the grantor controls the kind of services that the operator provides using the infrastructure, as well as the recipient and price of these services.
The Group has applied IFRIC 12 starting from the annual financial statements for the period beginning on January 1st 2010.

IFRIC 15 *Agreements for the Construction of Real Estate*

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

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 was issued by the International Financial Reporting Interpretations Committee on July 3rd 2008 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on how to determine whether risk arises from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent's consolidated financial statements. Moreover, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 explains also how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.
The Group has applied IFRIC 16 starting from the annual financial statements for the period beginning on January 1st 2010.

Amendment to IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

Amendment to IFRIC 16 was published by the International Accounting Standards Board on March 23rd 2010 and is effective prospectively for reporting periods beginning on or after January 1st 2010. Early application of the interpretation and the amendment is permitted. If an entity applies this Interpretation for a period beginning before October 1st 2008, or the amendment to paragraph 14 before 1July 2009, it is required to disclose that fact.
The amendment relates to holding of a hedging instrument by an entity within a group. A derivative or a non-derivative instrument (or a combination of derivative and non-derivative instruments) may be designated as a hedging instrument in a hedge of a net investment in a foreign operation. The hedging instrument(s) may be held by any entity or entities within the group as long as the designation, documentation and effectiveness requirements of IAS 39 paragraph 88 that relate to a net investment hedge are satisfied. In particular, the hedging strategy of the group should be clearly documented because of the possibility of different designations at different levels of the group.
The Group has applied IFRIC 16 starting from the annual financial statements for the period beginning on January 1st 2010.

IFRIC 17 *Distributions of Non-Cash Assets to Owners*

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

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

IFRIC 18 *Transfer of Assets from Customers*

Interpretation IFRIC 18 was issued by the International Financial Reporting Interpretations Committee on January 29th 2009 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on the recognition of transfer of assets from customers, namely it clarifies the circumstances in which the definition of an asset is met, the identification of the separately identifiable services (services in exchange for the transferred asset), the recognition of revenue and the accounting for transfers of cash from customers.
The Group has applied IFRIC 18 starting from the annual financial statements for the period beginning on January 1st 2010.

VII. New standards to be applied by the Group

Amendments to IFRS 1

On July 23rd 2009, the International Accounting Standards Board (IASB) published amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* ("Amendments to IFRS 1"). Pursuant to the Amendments to IFRS 1, entities operating in the oil and gas sector which adopt IFRS are allowed to use the carrying amounts of their oil and gas assets determined using previously applied accounting policies. Entities which opt for the exemption are required to measure their decommissioning, site restoration and similar obligations associated with oil and gas assets in line with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and to account for a given obligation in retained earnings. Amendments to IFRS 1 also provide for a reassessment of whether an arrangement contains a lease.
The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendments to IFRS 2 *Share-Based Payment*

On June 18th 2009, the International Accounting Standards Board (IASB) published amendments to IFRS 2 *Share-Based Payment*. Amendments to IFRS 2 clarify the accounting for share-based payment transactions where payment to the supplier of goods or services is settled in cash and the liability is contracted by another group member (group cash-settled share-based payment transactions).
The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendments to IFRS 7

On January 28th 2010, the International Accounting Standards Board (IASB) issued a document entitled Limited Exemption from Comparative IFRS 7 *Disclosures for First-Time Adopters - Amendment to IFRS 1*. Given the fact that first-time adopters of IFRS so far had no possibility to use an exemption from providing comparative information concerning fair-value measurement and liquidity risk, available under IFRS 7 for comparative periods ending before December 31st 2009 r., the purpose of the Amendment to IFRS 1 is to make such optional exemption available also to first-time adopters of IFRS. Under the Amendments to IFRS 7, an entity does not have to disclose the information required under the amendments in the case of:

(a) annual or interim periods, including statements of financial position, presented in an annual comparative period ending before December 31st 2009, or

(b) statements of financial position presented at the beginning of the earliest comparative period before December 31st 2009.

Early application is permitted and must be disclosed.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendments to IFRS 8 *Operating Segments*

Amendments to IFRS 8 Operating Segments were published by the International Accounting Standards Board (IASB) in 2009. Amendments to IFRS 8 refer to disclosure of information on the extent of an entity's dependence on its customers. If revenue from transactions with a single external customer accounts for 10% or more of an entity's total revenue, the entity is required to disclose that fact, and to provide information on the total revenue derived from each such customer and the identity of the segment or segments where such revenue is recognised. An entity is not required to disclose the identity of its major customer or the amount of revenue derived from the customer which is revealed in the individual segments. However, it is also necessary to make an assessment whether a government (national, regional, provincial, territorial, local or foreign, including governmental agencies and other similar local, national or international authorities) and the entities which according to data available to the reporting entity are supervised by the government, are to be treated as a single customer. In making such an assessment, a reporting entity takes into account the degree of business integration between such entities. Changes regarding disclosure of information on related parties (amended in 2009) are introduced by paragraph 34 with respect to annual periods beginning on or after January 1st 2011.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

IAS 24 *Related Party Disclosures*

On November 4th 2009, the International Accounting Standards Board (IASB) published Revised IAS 24 *Related Party Disclosures*. The purpose of the amendments introduced in the Revised IAS 24 was to simplify the definition of a related party while at the same time removing certain internal inconsistencies, and to provide a partial exemption for government-related entities from the disclosure obligations regarding transactions with related parties. IAS 24 (2009) applies retrospectively for annual periods beginning on or after January 1st 2011. Early application of the entire standard or of the partial exemption for government-related entities is permitted. Early application of the entire standard or of the partial exemption for government-related entities with respect to a period that begins before January 1st 2011 must be disclosed.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

In November 2009, the International Accounting Standards Board amended IFRIC 14 in such a way as to remove unintended consequences of treatment of voluntary pension prepayments when there is a minimum funding requirement. The amendments apply for annual periods beginning on or after January 1st 2011. Early application of the interpretation is permitted and must be disclosed.
The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

On November 26th 2009, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (“IFRIC 19”). IFRIC 19 provides guidance regarding accounting by an issuer of equity instruments which were issued following renegotiation of the terms of a financial liability in order to extinguish all or part of the financial liability. IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The interpretation is effective for annual periods beginning on or after July 1st 2010. Early application is permitted. Earlier application for a period that begins before July 1st 2010 must be disclosed. Changes in accounting policies apply - in line with IAS 8 - starting from the earliest comparative period presented.

The Group will apply the standard starting from the annual financial statements for the period that begins on January 1st 2011.

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

3. Financial highlights

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

Financial year	Mar 31 2011	Dec 31 2010	Mar 31 2010
Average exchange rate for the period*	3.9742	4.0044	3.9669
Exchange rate effective for the last day of the period	4.0119	3.9603	3.8622

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

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

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

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

Financial highlights - consolidated

Item	Q1 YTD Jan 1–Mar 31		Q1 YTD Jan 1–Mar 31	
	2011	2010	2011	2010
	(PLN ‘000)		(EUR ‘000)	
Net sales revenue	70,689	21,819	17,787	5,500
Cost of sales	-56,189	-21,027	-14,138	-5,301
Operating profit/(loss)	347	-8,404	87	-2,118
Pre-tax profit/(loss)	237	-6,004	60	-1,514
Net profit/(loss)	-513	-4,375	-129	-1,103

Net cash provided by/(used in) operating activities	-10,143	-3,488	-2,552	-879
Net cash provided by/(used in) investing activities	-1,412	-1,348	-355	-340
Net cash provided by/(used in) financing activities	9,281	2,503	2,335	631
	Mar 31 2011	**Dec 31 2010**	**Mar 31 2011**	**Dec 31 2010**
Total assets	354,113	338,818	88,266	85,554
Total liabilities	152,667	130,816	38,053	33,032
of which current liabilities	120,740	98,616	30,096	24,901
Equity	201,446	208,002	50,212	52,522
Share capital	3,652	3,652	910	922

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

Separate financial highlights

Item	**Q1 YTD Jan 1–Mar 31**		**Q1 YTD Jan 1–Mar 31**	
	2011	**2010**	**2011**	**2010**
	(PLN '000)		(EUR '000)	
Net sales revenue	23,897	10,875	6,013	2,742
Cost of sales	-18,127	-9,363	-4,561	-2,360
Operating profit/(loss)	-146	-3,236	-37	-816
Pre-tax profit/(loss)	156	-2,845	39	-717
Net profit/(loss)	86	-2,337	22	-589
Net cash provided by/(used in) operating activities	-3,349	-931	-843	-235
Net cash provided by/(used in) investing activities	642	-1,232	161	-311
Net cash provided by/(used in) financing activities	1,288	-20	324	-5
	Mar 31 2011	**Dec 31 2010**	**Mar 31 2011**	**Dec 31 2010**
Total assets	215,945	216,541	53,826	54,678
Total liabilities	46,909	47,560	11,693	12,009
of which current liabilities	32,954	32,925	8,214	8,314
Equity	169,035	168,981	42,133	42,669
Share capital	3,652	3,652	910	922

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(PLN '000)

Assets	As at Mar 31 2011	As at Dec 31 2010
NON-CURRENT ASSETS	**144,362**	**150,144**
Property, plant and equipment	52,926	53,390
Investment property	432	435
Goodwill	53,788	58,001
Other intangible assets	13,723	13,705
Investments in associates	16,998	17,907
Financial assets available for sale	3	3
Non-current receivables		
Other assets		
Loans and receivables		
Prepayments and accrued income		
Deferred tax assets	6,491	6,703
CURRENT ASSETS	**204,927**	**183,124**
Inventories	22,863	21,168
Trade receivables	63,404	63,771
Other current receivables	9,559	8,953
Prepayments and accrued income	4,800	1,959
Financial assets at fair value through profit or loss	57	366
Loans and receivables	3	5
Cash and cash equivalents	12,675	14,489
Contract settlement	91,566	72,415
ASSETS HELD FOR SALE	**4,825**	**5,550**
TOTAL ASSETS	**354,113**	**338,818**

Equity and liabilities	As at Mar 31 2011	As at Dec 31 2010
EQUITY	**201,446**	**208,002**
Equity attributable to owners of the parent	201,446	208,002
Share capital	3,652	3,652
Statutory reserve funds	172,843	172,843
Other capital reserves	-214	35
Retained earnings/(deficit)	25,166	31,472
Non-controlling interests		
NON-CURRENT LIABILITIES	**29,245**	**28,945**
Loans and borrowings	9,019	8,892
Financial liabilities	163	167
Deferred tax liabilities	12,839	12,476
Provision for retirement and similar benefits	2,848	2,985
Accruals and deferred income	4,376	4,425
CURRENT LIABILITIES	**120,740**	**98,616**
Loans and borrowings	35,515	27,457
Financial liabilities	461	353
Trade payables	29,928	24,309
Taxes, customs duties and social security payable	4,287	2,824
Other current liabilities	5,031	4,385
Provision for retirement and similar benefits	3,004	3,579
Other provisions	5,139	4,401
Accruals and deferred income	37,375	31,308
LIABILITIES HELD FOR SALE	2,681	3,254
TOTAL EQUITY AND LIABILITIES	**354,113**	**338,818**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
Net sales revenue, including:	**70,689**	**21,819**
Net revenue from sales of products	70,440	21,503
Net revenue from sales of goods for resale and materials	250	316
Cost of sales, including:	**-56,189**	**-21,027**
Cost of products sold	-55,755	-20,819
Cost of goods for resale and materials sold	-434	-207
Gross profit/(loss)	**14,501**	**793**
Other operating income	297	173
Selling costs	-4,372	-2,750
General and administrative expenses	-9,429	-6,496
Other operating expenses	-650	-125
Operating profit/(loss)	**347**	**-8,404**
Finance income	637	3,182
Finance expenses	-952	-1,888
Share in net profit/(loss) of associates	204	1,105
Pre-tax profit/(loss)	**237**	**-6,004**
Income tax	-680	1,781
Net profit/(loss) on continuing operations	**-443**	**-4,223**
Profit/(loss) on discontinued operations	**-70**	**-152**
Net profit/(loss) for financial year	**-513**	**-4,375**
Earnings per share (PLN)	-0.05	-0.46
Weighted average number of shares as at	10,476,210	9,572,003
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income:		
Valuation of cash flow hedging derivatives	-39	431
Exchange differences on translating foreign operations	-6,010	1,052
Income tax relating to other comprehensive income	7	-82
Other comprehensive income, net	**-6,042**	**1,401**
Total comprehensive income	**-6,555**	**-2,974**

CONSOLIDATED STATEMENT OF CASH FLOW
(PLN '000)

	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
OPERATING ACTIVITIES		
Pre-tax profit/(loss)	**237**	**-6,156**
Total adjustments:	**-10,065**	**2,982**
Share in net profit of subordinated undertakings accounted for using the equity method	-204	-1,105
Depreciation and amortisation	1,570	1,191
Foreign exchange gains/(losses)	-861	32
Interest and profit distributions (dividends)	188	-788
Profit/(loss) on investing activities	-722	-621
Change in provisions	277	-38
Change in inventories	-1,834	-3,079
Change in receivables	4,466	-18,003
Change in current liabilities (other than financial liabilities)	2,476	2,747
Change in accruals and deferrals	-15,869	24,132
Derivatives	448	-1,375
Other adjustments		-111
Cash from operating activities	**-9,828**	**-3,175**
Income tax (paid)/refunded	-314	-314
Net cash provided by/(used in) operating activities	**-10,143**	**-3,488**
INVESTING ACTIVITIES		
Cash provided by investing activities	**695**	**3**
Proceeds from disposal of intangible assets and property, plant and equipment	55	
Proceeds from disposal of financial assets	7	
Dividends and profit distributions received		
Repayment of non-current loans advanced		
Interest received		
Other cash provided by financial assets	2	3
Cash received in connection with derivative instruments	631	
Cash used in investing activities	**2,107**	**1,351**
Investments in intangible assets, property, plant and equipment, and investment property	2,107	1,166
Acquisition of related undertakings		
Acquisition of financial assets		
Increase in long-term loans advanced		
Other cash used in investing activities		10
Cash paid in connection with derivative instruments		175
Net cash provided by/(used in) investing activities	**-1,412**	**-1,348**

FINANCING ACTIVITIES		
Cash provided by investing activities	**9,552**	**2,647**
Net proceeds from issue of shares, other equity instruments and additional contributions to equity		
Loans and borrowings	9,552	2,647
Issue of debt securities		
Other cash provided by financing activities		
Cash used in investing activities	**271**	**144**
Acquisition of own shares		
Dividends and other distributions to owners		
Profit distributions other than to owners		
Repayment of loans and borrowings		21
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	75	83
Interest paid	195	40
Other cash used in financing activities		
Net cash provided by/(used in) financing activities	**9,281**	**2,503**
Total net cash flow	**-2,274**	**-2,333**
Balance-sheet change in cash, including:	**-1,814**	**-2,318**
- effect of exchange rate fluctuations on cash held	-3	5
Cash at beginning of period	**14,946**	**25,086**
Cash at end of period, including:	**12,672**	**22,753**
- restricted cash		
- cash relating to discontinued operations	20	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserve from revaluation of hedging instruments	Other capital reserves	Exchange differences	Retained earnings/(deficit)	Minority interests	Total equity
Three months ended Mar 31 2010								
Equity as at Jan 1 2010	**3,471**	**143,833**	**0**	**2**	**1,072**	**17,529**	**0**	**165,906**
Total comprehensive income for three months ended Mar 31 2010			349		1,052	- 4,375		**-2,974**
Equity as at Mar 31 2010	**3,471**	**143,833**	**349**	**2**	**2,124**	**13,153**		**162,932**
Three months ended Mar 31 2011								
Equity as at Jan 1 2011	**3,652**	**172,843**	**(17)**	**36**	**1,155**	**30,335**		**208,002**
Total comprehensive income for three months ended Mar 31 2011			(32)		(6,010)	(513)		**(6,555)**
Equity as at Mar 31 2011	**3,652**	**172,843**	**-49**	**36**	**-4,856**	**29,821**		**201,446**

INTERIM CONDENSED
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2011

SEPARATE STATEMENT OF FINANCIAL POSITION
(PLN '000)

Assets	As at Mar 31 2011	As at Dec 31 2010
NON-CURRENT ASSETS	**133,038**	**133,018**
Property, plant and equipment	24,661	24,887
Investment property	432	435
Goodwill		
Intangible assets	12,612	12,534
Investments in subsidiary, jointly-controlled and associated undertakings	93,244	93,244
Financial assets available for sale		
Other assets		
Loans and receivables		
Prepayments and accrued income		
Deferred tax assets	2,089	1,919
CURRENT ASSETS	**82,017**	**82,634**
Inventories	9,660	10,058
Trade receivables	33,637	36,737
Other current receivables	5,738	4,100
Prepayments and accrued income	1,109	729
Financial assets at fair value through profit or loss		47
Loans and receivables	4,000	4,741
Cash and cash equivalents	1,344	2,779
Contract settlement	26,529	23,444
ASSETS HELD FOR SALE	**889**	**889**
TOTAL ASSETS	**215,945**	**216,541**

Equity and liabilities	As at Mar 31 2011	As at Dec 31 2010
EQUITY	**169,035**	**168,981**
Share capital	**3,652**	**3,652**
Statutory reserve funds	154,136	154,136
Other capital reserves	36	36
Retained earnings/(deficit)	11,212	11,158
NON-CURRENT LIABILITIES	**13,956**	**14,635**
Loans and borrowings	5,293	5,928
Financial liabilities		4
Other liabilities		
Deferred tax liabilities	4,121	4,168
Provision for retirement and similar benefits	166	110
Provisions for liabilities		
Accruals and deferred income	4,376	4,425
CURRENT LIABILITIES	**32,954**	**32,925**
Loans and borrowings	9,038	7,323
Financial liabilities	243	72
Trade payables	7,904	12,956
Income tax payable	1,916	1,422
Other current liabilities	2,186	1,820
Provision for retirement and similar benefits	2,185	1,977
Other provisions	1,604	1,604
Accruals and deferred income	7,879	5,751
LIABILITIES HELD FOR SALE		
TOTAL EQUITY AND LIABILITIES	**215,945**	**216,541**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
Net sales revenue, including:	**23,897**	**10,875**
Net revenue from sales of products	23,818	10,784
Net revenue from sales of goods for resale and materials	79	91
Cost of sales, including:	**-18,127**	**-9,363**
Cost of products sold	-18,053	-9,297
Cost of goods for resale and materials sold	-73	-66
Gross profit/(loss)	**5,770**	**1,512**
Other operating income	276	268
Selling costs	-1,255	-1,225
General and administrative expenses	-4,773	-3,573
Other operating expenses	-165	-219
Operating profit/(loss)	**-146**	**-3,236**
Finance income	640	2,217
Finance expenses	-338	-1,826
Pre-tax profit/(loss)	**156**	**-2,845**
Income tax	-70	508
Net profit/(loss) on continuing operations	**86**	**-2,337**
Profit/(loss) on discontinued operations		
Net profit/(loss) for financial year	**86**	**-2,337**
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income:		
Valuation of cash flow hedging derivatives	-39	431
Income tax relating to other comprehensive income	7	-82
Other comprehensive income, net	**-32**	**349**
Total comprehensive income	**54**	**-1,988**

SEPARATE STATEMENT OF CASH FLOWS
(PLN '000)

	for the period Jan 1–Mar 31 2011	for the period Jan 1–Mar 31 2010
OPERATING ACTIVITIES		
Pre-tax profit/(loss)	**156**	**-2,845**
Total adjustments:	**-3,191**	**2,228**
Share in net profit of subordinated undertakings accounted for using the equity method		
Depreciation and amortisation	703	633
Foreign exchange gains/(losses)	-351	-10
Interest and profit distributions (dividends)	49	-818
Profit/(loss) on investing activities	-574	175
Change in provisions	264	148
Change in inventories	397	-2,224
Change in receivables	1,578	-17,500
Change in current liabilities (other than financial liabilities)	-4,059	2,733
Change in accruals and deferrals	-1,386	20,465
Derivatives	186	-1,375
Other adjustments		
Cash from operating activities	**-3,035**	**-618**
Income tax (paid)/refunded	-314	-314
Net cash provided by/(used in) operating activities	**-3,349**	**-931**
INVESTING ACTIVITIES		
Cash provided by investing activities	**1,395**	
Proceeds from disposal of intangible assets and property, plant and equipment	14	
Proceeds from disposal of financial assets	741	
Dividends and profit distributions received		
Repayment of non-current loans advanced		
Interest received	66	
Other cash provided by financial assets		
Cash received in connection with derivative instruments	573	
Cash used in investing activities	**753**	**1,232**
Investments in intangible assets, property, plant and equipment, and investment property	753	1,057
Acquisition of related undertakings		
Acquisition of securities		
Other cash used in investing activities		
Cash paid in connection with derivative instruments		175
Net cash provided by/(used in) investing activities	**642**	**-1,232**
FINANCING ACTIVITIES		

Cash provided by investing activities	**1,416**	
Net proceeds from issue of shares, other equity instruments and additional contributions to equity		
Loans and borrowings	1,416	
Issue of debt securities		
Other cash provided by financing activities		
Cash used in investing activities	**127**	**20**
Acquisition of own shares		
Dividends and other distributions to owners		
Profit distributions other than to owners		
Repayment of loans and borrowings		
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	12	10
Interest paid	116	10
Other cash used in financing activities		
Net cash provided by/(used in) financing activities	**1,288**	**-20**
Total net cash flow	**-1,419**	**-2,184**
Balance-sheet change in cash, including:	**-1,434**	**-2,174**
- effect of exchange rate fluctuations on cash held	-15	10
Cash at beginning of period	**2,742**	**18,495**
Cash at end of period, including:	**1,323**	**16,311**
- restricted cash		

SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserve from revaluation of hedging instruments	Other capital reserves	Retained earnings/(deficit)	Minority interests	Total equity
			Three months ended Mar 31 2010				
Equity as at Jan 1 2010	**3,471**	**128,530**	**0**	**2**	**2,382**	**0**	**134,386**
Total comprehensive income for three months ended Mar 31 2010			349		- 2,337		**-1,988**
Equity as at Mar 31 2010	**3,471**	**128,530**	**349**	**2**	**45**		**132,398**
			Three months ended Mar 31 2011				
Equity as at Jan 1 2011	**3,652**	**154,136**	**(17)**	**36**	**11,175**	**0**	**168,981**
Total comprehensive income for three months ended Mar 31 2011			(32)		86		**54**
Equity as at Mar 31 2011	**3,652**	**154,136**	**(49)**	**36**	**11,261**		**169,035**

SUPPLEMENTARY INFORMATION
TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED
MARCH 31ST 2011

Selected supplementary information

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

Sales revenue and total revenue and income of the Group:

Item	Q1 2011	Q1 2010
Sales of products	70,440	21,503
Sales of goods for resale and materials	250	316
TOTAL sales revenue	**70,689**	**21,819**
Other operating income	297	173
Finance income	637	3,182
TOTAL revenue and income	**71,623**	**25,174**

OPERATING SEGMENTS

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

Vacuum furnaces (Vacuum)

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces may be used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing. Use of vacuum furnaces brings economic benefits. They are also environmentally friendly.

Aluminium heat exchanger brazing systems (CAB)

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

Atmosphere furnaces (Thermal)

Atmosphere furnaces are widely used in the process of thermal and thermochemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for thermal and thermochemical treatment are employed in the gas carburising, gas nitriding and other processes. Such furnaces are used chiefly by the automotive and metal industries, including for the manufacturing of anti-friction bearings, as well as for use in commercial hardening plants and specialty industries.

Aluminium heat treatment systems (Aluminium Process)

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

Melting furnaces

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

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

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

Revenue and net profit/loss of operating segments as at Mar 31 2011

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Segment net profit/(loss)									
Total segment revenue	**12,223**	**5,475**	**14,922**	**4,787**	**28,285**	**65,693**	**271**	**4,996**	**70,689**
Total segment expenses	**(8,806)**	**(3,892)**	**(11,532)**	**(4,053)**	**(23,850)**	**(52,132)**	**(171)**	**(4,057)**	**(56,189)**
General and administrative expenses							(128)	(9,429)	(9,429)
Selling costs							(40)	(4,372)	(4,372)
Operating income							0	297	297
Operating expenses							0	(650)	(650)
Profit/(loss) on continuing operations before tax and finance expenses	3,417	1,583	3,391	735	4,435	13,561	**(68)**		**347**
Finance income								637	637
Net finance expenses							(2)	(952)	(952)
Share in profit of associate								204	204
Pre-tax profit/(loss)									**237**
Income tax								(680)	(680)
Profit/(loss) on discontinued operations							(70)		(70)
Net profit/(loss) for period									**(513)**

Revenue and net profit/loss of operating segments as at Mar 31 2010

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Segment profit/(loss)									
Total segment revenue	**6,821**	**1,972**	**8,643**	**338**	**733**	**18,507**	**152**	**3,312**	**21,819**
Total segment expenses	**(5,158)**	**(1,545)**	**(8,732)**	**(728)**	**(722)**	**(16,887)**	**(123)**	**(4,140)**	**(21,026)**
General and administrative expenses							(50)	(2,750)	(2,750)
Selling costs							(127)	(6,496)	(6,496)
Operating income							2	173	173
Operating expenses								(124)	(124)
Profit/(loss) on continuing operations before tax and finance expenses	1,663	427	(89)	(390)	11	1,621	**(146)**		**(8,404)**
Finance income							5	3,182	3,182
Net finance expenses							(11)	(1,888)	(1,888)
Share in profit of associate								1,105	1,105
Pre-tax profit/(loss)									**(6,004)**
Income tax								1,781	1,781
Profit/(loss) on discontinued operations							(152)		(152)
Net profit/(loss) for period									**(4,375)**

PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–March 31st 2011, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 1,630 thousand.

Item	Mar 31 2011	Mar 31 2010
Tangible assets	48,504	41,515
Tangible assets under construction	4,422	4,085
Prepayments for tangible assets under construction		
Property, plant and equipment	**52,926**	**45,600**

IMPAIRMENT LOSSES ON ASSETS

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

Trade receivables whose value as at March 31st 2011 amounted to PLN 1,877 thousand were classified as uncollectible, and thus an impairment loss for those receivables was recognised. As at December 31st 2010, impairment losses amounted to PLN 1,901 thousand.

As at March 31st 2011, SECO/WARWICK S.A. carried an impairment loss on tangible assets in the amount of PLN 486 thousand. The value of impairment losses did not change from the end of 2010.

As at March 31st 2011, the SECO/WARWICK Group carried impairment losses on inventories in the amount of PLN 1,644 thousand (at the end of 2010: PLN 1,644 thousand).

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

On April 29th 2011, the Management Board of SECO/WARWICK S.A. reported, in Current Report No. 12/2011, that on April 28th 2011 the Supervisory Board had adopted Resolution No. 2/2011 whereby it issued a positive opinion on the Management Board's proposal regarding distribution of net profit for 2010. In accordance with the proposal, a portion of net profit for 2010 in the amount of PLN 1,047,621.00 will be paid as dividend to shareholders. The dividend per share will amount to PLN 0.10. The proposed dividend record date is June 16th 2011 (R date), while the dividend payment date is July 1st 2011 (P date).

INVESTMENT COMMITMENTS

As at March 31st 2011, the SECO/WARWICK Group had investment commitments concerning property, plant and equipment in the amount of PLN 24 thousand. The amounts were earmarked for purchases of new plant and equipment.

As at March 31st 2011, SECO/WARWICK S.A. had investment commitments of PLN 460 thousand towards SECO/WARWICK ALLIED Pvt. LTD.

OFF-BALANCE SHEET CONSOLIDATED ITEMS

Changes in contingent liabilities and contingent assets which occurred after the end of the previous financial year

	As at Mar 31 2011	As at Dec 31 2010	As at Mar 31 2010
Contingent receivables	**72**	**72**	**72**
From related undertakings			
From other undertakings (including)	72	72	72
- guarantees	72	72	72
Contingent liabilities	**41,192**	**33,006**	**17,935**
To related undertakings	3,300		450
To other undertakings (including)	37,892	33,006	17,485
- guarantees	37,892	33,006	17,485

SURETIES ISSUED BY SECO/WARWICK S.A.

Company name	Bank name	Surety in respect of	Currency	Mar 31 2011	*AMOUNT (PLN)*
LZT ELTERMA	BZ WBK	Guarantee facility	PLN	2,500	2,500
S/W ALLIED Pvt. Ltd.		Guarantee and credit facility	INR	225,000	14,233
RETECH Systems		Credit guarantee	USD	1,000	2,964
RETECH Systems		Guarantee and credit facility	USD	19,000	56,240
TOTAL					**75,937**

Company name	Bank name	Surety in respect of	Currency	Dec 31 2010	*AMOUNT (PLN)*
LZT ELTERMA	BZ WBK	Guarantee facility	PLN	2,500	2,500
S/W ALLIED Pvt. Ltd.		Guarantee and credit facility	INR	147,500	9,949
RETECH Systems		Credit guarantee	USD	1,000	2,964
RETECH Systems		Guarantee and credit facility	USD	15,000	44,462
TOTAL					**59,875**

On April 6th 2011, the Management Board of the Company adopted a resolution which increased the value of the surety granted for SECO/WARWICK Allied Pvt. Ltd. (India) from INR 147,500 thousand to INR 225,000 thousand. The total value of the surety, translated at the mid-exchange rate quoted by the National Bank of Poland for the date of the resolution, is PLN 14,233 thousand.

On March 18th 2010, SECO/WARWICK S.A. issued a surety of up to PLN 2,500 thousand with respect to amounts owed by LZT ELTERMA to Bank BZ WBK S.A. under a credit facility.

On November 17th 2010, SECO/WARWICK.S.A. provided indemnification against any claims under guarantees issued to James A. Goltz in relation to a credit facility provided to RETECH Systems by East West Bank.

On December 31st 2010, James A. Goltz advanced to Retech Systems LLC a loan of USD 1,000 thousand. Repayment of the loan is guaranteed by SECO/WARWICK S.A.

PROVISIONS FOR RESTRUCTURING

In the period from January 1st to March 31st 2011, the SECO/WARWICK Group did not release any provisions for restructuring costs.

SETTLEMENTS RELATED TO COURT CASES

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

BUSINESS COMBINATIONS

In Q1 2011, there were no business combinations or acquisitions of minority interests.

MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD AND NOT REFLECTED IN THE FINANCIAL STATEMENTS

There were no material events subsequent to the end of the interim period that were not reflected in the financial statements.

Consistency of the accounting policies and calculation methods applied in the preparation of the interim financial statements for Q1 2011

The interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS endorsed by the European Union. The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The interim condensed separate consolidated financial statements have been prepared in accordance with International Accounting Standard 34.

Seasonality or cyclicality in the operations of SECO/WARWICK S.A. or its Group

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

Types and amounts of items affecting assets, equity and liabilities, share capital, net profit/(loss), or cash flows which are unusual due to their type, size or effect

In the business activities of SECO/WARWICK S.A. and its Group, there are no material types or amounts of items that would affect assets, equity and liabilities, share capital, net profit/(loss) or cash flows and that would be unusual due to their type, size or effect.

Types and amounts of changes in estimates disclosed in previous interim periods of the financial year 2010 or changes in estimates disclosed in previous financial years if they have a material bearing on Q1 2011

In the business activities of SECO/WARWICK S.A. and its Group, there were no changes in the disclosed estimates that would, due to their type or amount, have a material bearing on the results for Q1 2011.

Issues, redemptions and repayments of debt and equity securities

No debt or equity securities were issued, redeemed or repurchased in Q1 2011.

SECO/WARWICK S.A. fully used the net proceeds of PLN 40.2m from the issue carried out on December 5th 2007.

Earnings per share

	Mar 31 2011	Mar 31 2010
Weighted average number of shares	10,476,210	9,572,003
Earnings attributable to owners of the parent	(513)	(4,375)
Earnings per share	(0.05)	(0.46)

Material events subsequent to the end of Q1 2011, not disclosed in the financial statements for Q1 2011 but potentially having a material bearing on future performance of the SECO/WARWICK Group

In the business activities of SECO/WARWICK S.A. and its subsidiaries, there were no particular events that might have a material bearing on the future performance of SECO/WARWICK S.A. and its Group but have not been disclosed in the quarterly report.

Other supplementary information

1. Changes in the Group's structure, including changes resulting from mergers, acquisitions or disposals of the Group undertakings, long-term investments, demergers, restructuring or discontinued operations

In Q1 2011, there were no changes in the SECO/WARWICK Group's structure resulting from mergers, acquisitions or disposals of Group undertakings, long-term investments, demergers, restructuring or discontinued operations.

2. Management Board's position on the feasibility of meeting any previously published forecasts for 2011 in light of results presented in the Q1 2011 report

SECO/WARWICK S.A. has not published any financial forecasts for 2011 concerning the Company or the SECO/WARWICK Group.

3. Shareholders holding, directly or indirectly, 5% of the total vote at the General Shareholders Meeting as at the release date of this report, including information on any changes that occurred subsequent to the publication of the previous quarterly report

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Shareholders Meeting as at the date of release of the previous quarterly report i.e. March 1st 2011

	Number of shares	% of share capital held	Number of votes at GM	% of total vote
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174 (1)	16.48%*	1,726,174	16.48%*
James A. Goltz	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000 (2)	5.73%*	600,000	5.73%*
OFE POLSAT S.A.	485,974 (3)	4.64%*	485,974	4.64%*
- share capital	2,095,242			
- number of shares	10,476,210			
- par value per share	0.2			

* Percentages based on in-house calculations by SECO/WARWICK S.A. following the change in the amount and structure of the share capital effected on December 9th 2010.

(1) Since November 30th 2007 (the date of admission of Series A and Series B shares and the Series B Allotment Certificates to trading on the main market of the WSE (Current Report No. 09/2007 of November 30th 2007), SECO/WARWICK S.A. has not received any notification concerning any change in the shareholding of Spruce Holding Limited Liability Company, which holds 1,726,174 shares in the Company.

(2) The most recent notification, of December 6th 2007 (Current Report No. 16/2007 of December 7th 2007) stated that ING Nationale–Nederlanden Polska Otwarty Fundusz Emerytalny held 612,000 shares in the Company. No other notification of change in shareholding has been received since.

(3) The most recent notification, of April 13th 2010 (Current Report No. 09/2010 of April 14th 2010) stated that Otwarty Fundusz Emerytalny Polsat held 485,974 shares in the Company. No other notification of change in shareholding has been received since.

On February 4th 2011, Mr James A. Goltz submitted a notification to the effect that his share of the total vote at the Company's GM had exceeded 5%. The change resulted from the acquisition by Mr James A. Goltz on November 19th 2010 of 904,207 Company shares in a private placement. Prior to the change in his shareholding, Mr James A. Goltz had not held (either directly or indirectly) any Company shares or any votes at the Company's GM. Currently, Mr James A. Goltz holds 904,207 Company shares, which represent 8.63% of the Company's share capital and confer the right to 904,207 votes (or 8.63% of the total vote) at the Company's GM. There are no subsidiaries of the notifying shareholder which would hold any Company shares and there are no third parties with whom Mr James A. Goltz would have concluded agreements to transfer the entitlement to exercise his voting rights.

On February 28th 2011, Sw Poland Holding B.V. of Amsterdam notified the Company that its share of the total vote at the Company's GM had been reduced by 3.72%. The reduction resulted from the change in the amount and structure of the share capital of SECO/WARWICK S.A., which was increased from PLN 1,914,400.60 to PLN 2,095,242. Prior to the change in the share capital, SW

Poland Holding B.V. held 43.04% of the total vote in SECO/WARWICK S.A. After the change, it holds 39.32% of the total vote in SECO/WARWICK S.A.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Shareholders Meeting as at the date of release of this report i.e. May 16th 2011

	Number of shares	% of share capital held	Number of votes at GM	% of total vote
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%*	1,726,174	16.48%*
James A. Goltz	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000	5.73%*	600,000	5.73%*
OFE POLSAT S.A.	485,974	4.64%*	485,974	4.64%*
- share capital	2,095,242			
- number of shares	10,476,210			
- par value per share	0.2			

* Percentages based on in-house calculations by SECO/WARWICK S.A. following the change in the amount and structure of the share capital effected on December 9th 2010.

4. Shares of SECO/WARWICK held by members of the Management Board and Supervisory Board as at the release date of this report, including information on any changes from the publication of the Q3 2010 report

	Mar 1 2011				May 16 2011			
	Number of SECO/WARWICK S.A. shares held	% of share capital held	% of total vote	Decrease/increase	Number of SECO/WARWICK S.A. shares held	% of share capital held	% of total vote	Total par value of shares (PLN)
Management Board								
Leszek Przybysz	-	-	-	-	-	-	-	-
Andrzej Zawistowski	307,100	2.93%	2.93%	0	307,100	2.93%	2.93%	61,420
Witold Klinowski	58,100	0.55%	0.55%	0	58,100	0.55%	0.55%	11,620
Józef Olejnik	58,100	0.55%	0.55%	0	58,100	0.55%	0.55%	11,620
Wojciech Modrzyk	400	0.004%	0.004%	0	400	0.004%	0.004%	80
Supervisory Board								
Jeffrey Boswell	229,633	2.19%	2.19%	0	229,633	2.19%	2.19%	45,927
Henryk Pilarski	1,000	0.01%	0.01%	0	1,000	0.01%	0.01%	200
Piotr Kowalewski	-	-	-	-	-	-	-	-
Piotr Kula	8,500	0.08%	0.08%	0	8,500	0.08%	0.08%	1,700
Mariusz Czaplicki (1)	-	-	-	-	-	-	-	-
Artur Rusiecki (2)	-	-	-	-	-	-	-	-
Artur Grygiel (3)	-	-	-	-	-	-	-	-
Commercial proxies								

Dorota Subsar	-	-	-	-	-	-	-	-
Total	662,833	6.31%	6.31%	0	662,833	6.31%	6.31%	132,567

(1) Mr Mariusz Czaplicki has been a member of the Supervisory Board since April 29th 2010.
(2) Mr Artur Rusiecki has been a member of the Supervisory Board since April 29th 2010.
(2) Mr Artur Grygiel ceased to be a member of the Supervisory Board on April 29th 2010.

Item	**May 16 2011**
Number of shares	10,476,210
Par value of shares	0.2
Share capital	2,095,242.00

Members of the Management Board and Supervisory Board of SECO/WARWICK S.A. do not hold any shares in related undertakings.

In the analysed period and after May 16th 2011, members of the Management Board and Supervisory Board of SECO/WARWICK S.A executed no transactions involving their shares in SECO/WARWICK S.A.

5. Court, arbitration or administrative proceedings

In Q1 2011, the individual or aggregate value of any liabilities or receivables of SECO/WARWICK S.A or the Group's undertakings toward any business partner or its group, disputed in court, arbitration or administrative proceedings, did not represent 10% or more of SECO/WARWICK S.A's equity.

6. Information on the conclusion by the Company or its subsidiary undertaking of a single transaction or a series of transactions with related parties where the value of any such transaction or all such transactions jointly is material and the transactions were not concluded at arm's length

In the period from the beginning of the financial year until this report publication date, SECO/WARWICK S.A. and its subsidiary undertakings did not enter into any transactions with related parties on terms differing from arm's length terms and where the value of a single transaction or all such transactions would be material.

7. Material achievements or failures of SECO/WARWICK S.A. and its Group in Q1 2011, including a list of pertinent events

Material achievements of the SECO/WARWICK Group include:

- Considerable improvement of sales in Q1 2011 (Q1 2011: PLN 70.7m; Q1 2010: PLN 21.8m);
- Considerable improvement of margins in Q1 2011 (Q1 2011: PLN -0.5m; Q1 2010: PLN -4.4m);
- Margins and sales at the key Group undertakings in line with the budget;
- Large backlog of the SECO/WARWICK S.A. Group companies (March 2011: PLN 213m);
- Improvement of SECO/WARWICK Corp.'s financial position.

The Management Board is not aware of any material failures at the parent undertaking or any of its direct or indirect subsidiaries occurring in the analysed period or after March 31st 2011.

8. Sureties for loans or guarantees issued by SECO/WARWICK S.A. or its subsidiary undertakings, jointly to one entity or its subsidiary, if the total outstanding amount of such sureties or guarantees exceeds 10% of SECO/WARWICK S.A.'s equity

On March 10th 2011, Retech Systems LLC executed an annex to Credit Facility Agreement No. 3001971, which raised the guarantee and credit facility limit from USD 15,000 thousand to USD 19,000 thousand. Following the increase of the credit limit, the value of surety granted by SECO/WARWICK S.A. for Retech Systems LLC was raised by USD 4,000 thousand (PLN 11,856 thousand).

In Q1 2011, there were no other events related to sureties for loans or guarantees exceeding 10% of the Company's equity, issued by SECO/WARWICK S.A. or any of its subsidiary undertakings.

9. Other information which is, according to the Company, relevant for the assessment of its staffing levels, assets, financial standing and financial performance, as well as changes in any of the foregoing, and information relevant for the assessment of the Company's ability to fulfil its obligations

According to the SECO/WARWICK Group, the improvement of economic conditions in the industrial sector is a factor which may be relevant for the assessment of the Group's staffing levels, assets, financial standing and financial performance, as well as changes in any of the foregoing. The value of the order book as at the end of Q1 2011 amounted to PLN 213,000 thousand.

The information provided above may be relevant for the assessment of SECO/WARWICK S.A.'s ability to fulfil its obligations. As at the date of release of Q1 2011 report, the Company's operations were stable. All liabilities related to the Company's business activities are settled on a timely basis.

10. Factors which in the Group's opinion will affect its results at least in the forthcoming quarter

- On February 21st 2011, there was a furnace failure at VIMETCO in Romania. The failure affected one of the four furnaces used for annealing rolled aluminium sheet which had been modernised by SECO/WARWICK S.A. The Management Board estimates the cost of remedying the failure at approx. PLN 370 thousand.
- Between November 26th 2010 and February 25th 2011, SECO/WARWICK S.A. concluded with BRE Bank S.A. of Warsaw seven forward contracts for the sale of euro in the total amount of EUR 3,654 thousand. The total value of the forward contracts is PLN 14,527 thousand. The contracts provide for no contractual penalties and their terms and conditions do not differ from the terms and conditions commonly applied in transactions of such type. The forward contracts (EUR/PLN sale) were concluded to hedge export cash flows denominated in EUR by ensuring that the exchange rates remain at the levels specified in the budget.
- On March 10th 2011, Retech Systems LLC executed an annex to a credit facility agreement, which raised the guarantee and credit facility limit from USD 15,000 thousand to USD 19,000 thousand. Following the increase of the facility limit, the value of the surety issued by SECO/WARWICK S.A. for Retech Systems LLC was raised by USD 4,000 thousand (PLN 11,856 thousand).
- On April 6th 2011, the Company's Management Board adopted a resolution to increase the value of the surety issued for SECO/WARWICK Allied Pvt. Ltd. (India) from INR 147,500 thousand to INR 225,000 thousand. The total value of the surety, translated at the mid-

exchange rate quoted by the National Bank of Poland for the date of the resolution, is PLN 14,233 thousand.

11. Description of factors and events, especially of non-recurring nature, with a material bearing on the financial performance in Q1 2011

There were no factors or events, especially of non-recurring nature, in the SECO/WARWICK Group' s operations that would have a material bearing on the financial performance in Q1 2011.