THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2012
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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1. General information

Information on the SECO/WARWICK Group

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

The Group's manufactures 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 parent of the following six subsidiaries:

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

Other Group companies are:

- SECO/WARWICK of Delaware Inc.,
- Retech Tianjin Holdings LLC,
- SECO/WARWICK Allied Pvt., Ltd. (Mumbai) India.

The companies are described in the table below.

Structure of the Group as at March 31st 2012

As at March 31st 2012, the structure of the SECO/WARWICK Group was as follows:

Company	Registered office	Business profile	Method of consolidation / valuation of equity holding	Group's ownership interest
Parent				
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	100%
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of metal heat treatment equipment	Full	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	100%
OOO SECO/WARWICK Group Moscow	Moscow (Russia)	Distribution of the SECO/WARWICK Group's products	Full	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	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd. (4)	Tianjin (China)	Manufacture of metal heat treatment equipment	Full	90%
Retech Tianjin Holdings LLC (5)	(USA)	Management of holding companies	Full	80%
SECO/WARWICK Allied Pvt., Ltd. (6)	Mumbai (India)	Manufacture of metal heat treatment equipment	Equity	50%
SECO/WARWICK GmbH (7)	Stuttgart, Germany	Intermediation in the sale of furnaces manufactured by SECO/WARWICK S.A. and SECO/WARWICK ThermAL S.A., and provision of technical assistance to customers in Germany, Austria, the Netherlands, Liechtenstein and Slovenia.	Full	51%

(1) On January 5th 2011, by virtue of Resolution No. 1 on amending the company's Articles of Association, the Extraordinary General Meeting of Lubuskie Zakłady Termotechniczne Elterma S.A., a subsidiary, renamed the company 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% interest 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), executed an agreement concerning acquisition by SECO/WARWICK S.A. of a 50% equity interest in Retech Systems LLC. As a result of the transaction, SECO/WARWICK S.A. came to hold 100% of shares in Retech Systems LLC.

[(4)]SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd. of China. SECO/WARWICK Retech is a joint venture of SECO/WARWICK S.A. and Retech Systems LLC. SECO/WARWICK S.A. directly holds a 50% and indirectly a 40% interest in SECO/WARWICK Retech.

[(5)] Retech Tianjin Holdings LLC is an indirect subsidiary owned through Retech Systems LLC of USA, which holds an 80% interest in Retech Tianjin Holdings LLC.

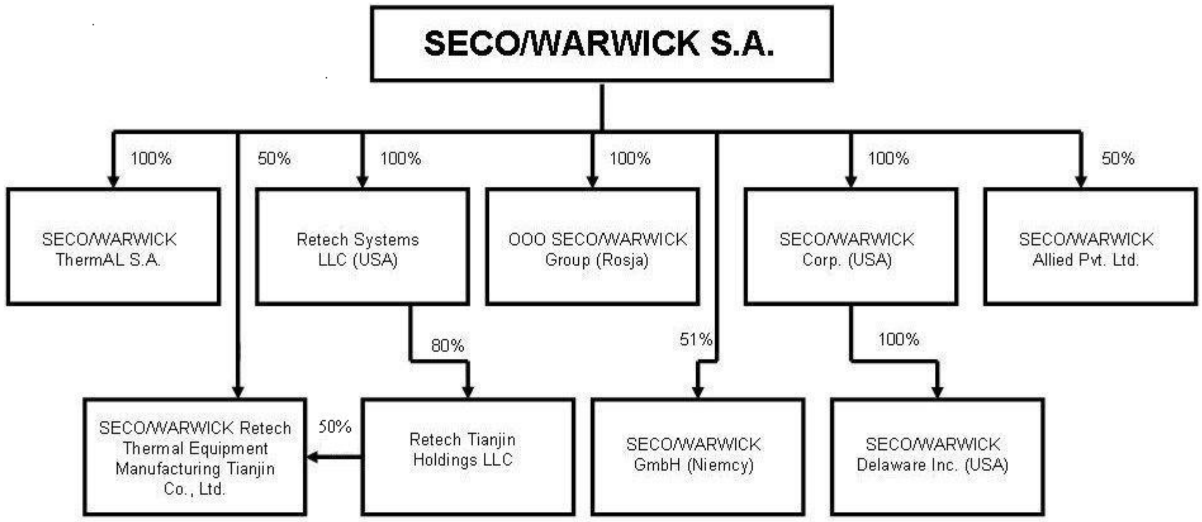
[(6)] The shares held by SECO/WARWICK S.A. represent 50% of SECO/WARWICK Allied Pvt.'s share capital and confer the right to 50% of the total vote at the company's general meeting.

[(7)] On August 9th 2011, SECO/WARWICK GmbH of Germany joined the SECO/WARWICK Group. SECO/WARWICK S.A holds 51% of shares in the company, while a German partner holds a non-controlling interest.

Composition of the SECO/WARWICK Group as at the date of release of these financial statements

In the reporting period, Retech Systems LLC sold a 20% interest in Retech Tianjin Holdings LLC. Following the transaction, SECO/WARWICK S.A. holds a 90% ownership interest in SECO/WARWICK Retech.
After March 31st 2012 and until the publication of this Report, there were no changes in the composition of the SECO/WARWICK Group.

The SECO/WARWICK Group's structure as at March 31st 2012:



2. Description of applied accounting policies, including methods of measurement of assets, equity and liabilities, income 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

Presentation of the statement of financial position

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.

Presentation of the statement of comprehensive income

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

Earnings per share

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

Intangible assets

As intangible assets the Group recognises such assets which are identifiable (they can be separated or sold), are controlled by the entity and are highly probable to bring future 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 expenses 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.
Assets are depreciated with the straight-line method by estimating the useful life of a given asset, which is:

Buildings and structures	from 10 to 40 years
Machinery and equipment	from 5 to 30 years
Motor vehicles	from 5 to 10 years
Other	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 expense of the period.
Any gains and losses arising on a sale or liquidation are determined as the difference between the income from the sale and the net value of the tangible assets, and are included in the statement of comprehensive income.
The Group has adopted the rule that the residual value of tangible assets is always equal to “zero”.

Tangible assets under construction

Tangible assets under construction include expenditure on property, plant and equipment and intangible assets which are not yet fit for use but it is highly probable that they will be completed.
Tangible assets under construction are presented in the 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 equity interests in related entities, assets at fair value through profit or loss, hedging derivatives, loans and receivables and cash and cash equivalents.
Financial liabilities include borrowings and other debt instruments, 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 entities and associates, which are carried at cost in accordance with IAS 27 and IAS 28, financial assets and liabilities are recognised and measured in line with IAS 39 Financial Instruments: Recognition and Measurement.

Recognition and measurement of financial assets

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

Receivables

Trade receivables are recognised and carried at amounts initially invoiced, less 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 amount 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 rather than 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 bank borrowings 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 amount 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 entity 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 finished goods 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 as 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 finished goods sold, distribution costs or 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 as at each balance-sheet date.

Prepayments and accrued income

In order to ensure the matching of revenues with related expenses, expenses relating to future periods and deferred income are posted under liabilities of a given reporting period.
<u>Accrued expenses</u>
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.

<u>Deferred and accrued income</u>
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/amortisation 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 non-current and current benefits is performed as 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 IAS 11:9.

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 highly probable (i.e. annexes to a contract or preliminary contracts have been initialled) that the client will accept the amendments and the revenue amounts provided for in the amendments, and such revenue can be reliably measured.

The stage of completion of a contract is determined by reference to the contract costs actually incurred in the reporting period and documented by appropriate accounting evidence, and the costs of business partners not yet invoiced.

The revenue as at the end of the reporting period is determined based on the percentage 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 sale of finished goods 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 July 1st 2011.

➢ **Amendments to IFRS 7 "Financial Instruments: Disclosure – Transfers of Financial Assets"**

The amendments introduce a requirement to make a disclosure which is sufficient to enable users of financial statements understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities, and evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. The amended standard provides a definition of "continuing involvement" to ensure application of the disclosure requirements.

The application of said amendments did not affect the Group's financial position or operating results.

New standards to be applied by the Group

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

- **IFRS 9 "Financial Instruments" –** (effective for annual periods beginning on or after January 1st 2013),
- **Amendments to IAS 12 "Income Tax" – deferred tax** – recovery of underlying assets (effective for annual periods beginning on or after January 1st 2012).
- **IFRS 10 "Consolidated Financial Statements "** (effective for annual periods beginning on or after January 1st 2013),
- **IFRS 11 "Joint Arrangements"** (effective for annual periods beginning on or after January 1st 2013)
- **IFRS 12 "Disclosure of Interests in Other Entities"** (effective for annual periods beginning on or after January 1st 2013),
- **IFRS 13 "Fair Value Measurement"** (effective for annual periods beginning on or after January 1st 2013),
- **IAS 27 (revised 2011) "Separate Financial Statements " –** (effective for annual periods beginning on or after January 1st 2013),
- **IAS 28 (revised 2011) "Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after January 1st 2013),
- **Amendments to IFRS 1 "First-Time Adoption of IFRS"– severe hyperinflation and removal of fixed dates for first-time adopters (effective for annual periods beginning on or after July 1st 2011),**
- **Amendments to IAS** 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after July 1st 2012),
- **Amendments to IAS 19 "Employment Benefits"** – adjustments to accounting for post-employment benefits (effective for annual periods beginning on or after January 1st 2013).
- **IFRIC 20 "Stripping Cost of the Production Phase of a Surface Mine"** – accounting for costs of stripping activity in the production phase of surface mining (effective for annual periods beginning on or after January 1st 2013),

The parent's Management Board does not expect the above standards and interpretations to have any significant effect on the accounting policies applied by the Group, save for the need to make certain additional or new disclosures. The 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 2012	Dec 31 2011	Mar 31 2011
Average exchange rate for the period*	4.1750	4.1401	3.9742
Exchange rate effective for the last day of the period	4.1616	4.4168	4.0119

**) 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 Jan 1–Mar 31		Q1 Jan 1–Mar 31	
	2012	2011	2012	2011
	(PLN ‘000)		(EUR ‘000)	
Revenue	109,502	70,689	26,228	17,787
Cost of sales	-84,339	-56,189	-20,201	-14,138
Operating profit (loss)	8,885	347	2,128	87
Profit (loss) before tax	8,633	237	2,068	60
Profit (loss), net of tax	5,174	-513	1,239	-129
Net cash flows from operating activities	24,737	-10,143	5,925	-2,552
Net cash flows from investing activities	-2,175	-1,412	-521	-355
Net cash flows from financing activities	-13,616	9,281	-3,261	2,335
	Mar 31 2012	**Dec 31 2011**	**Mar 31 2012**	**Dec 31 2011**
Total assets	378,424	390,364	90,932	88,382
Total liabilities	148,942	159,032	35,790	36,006
including current liabilities	113,529	128,250	27,280	29,037
Equity	229,482	231,332	55,143	52,375
Share capital	3,652	3,652	878	827

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 Jan 1–Mar 31		Q1 Jan 1–Mar 31	
	2012	2011	2012	2011
	(PLN '000)		(EUR '000)	
Revenue	27,909	23,897	6,685	6,013
Cost of sales	-20,893	-18,127	-5,004	-4,561
Operating profit (loss)	976	-146	234	-37
Profit (loss) before tax	393	156	94	39
Profit (loss), net of tax	-599	86	-144	22
Net cash flows from operating activities	23,811	-3,349	5,703	-843
Net cash flows from investing activities	-2,410	642	-577	161
Net cash flows from financing activities	-8,109	1,288	-1,942	324
	Mar 31 2012	**Dec 31 2011**	**Mar 31 2012**	**Dec 31 2011**
Total assets	229,538	226,541	55,156	51,291
Total liabilities	57,990	55,210	13,935	12,500
including current liabilities	44,457	40,958	10,683	9,273
Equity	171,548	171,332	41,222	38,791
Share capital	3,652	3,652	878	827

INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY 1ST–MARCH 31ST 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets	as at Mar 31 2012	as at Dec 31 2011
NON-CURRENT ASSETS	**151,448**	**160,853**
Property, plant and equipment	50,887	52,979
Investment property	419	422
Goodwill	59,678	65,116
Intangible assets	13,983	14,091
Investments in associates	18,209	18,462
Available-for-sale financial assets	3	3
Deferred tax assets	8,269	9,780
CURRENT ASSETS	**222,812**	**225,347**
Inventories	32,402	26,034
Trade receivables	53,484	107,077
Income tax assets	1,196	1,311
Other current receivables	14,358	11,642
Prepaid expenses	5,054	2,171
Financial assets at fair value through profit or loss	359	10
Cash and cash equivalents	28,981	20,285
Contract settlement	86,977	56,817
ASSETS HELD FOR SALE	**4,164**	**4,164**
TOTAL ASSETS	**378,424**	**390,364**

Equity and liabilities	as at Mar 31 2012	as at Dec 31 2011
EQUITY	**229,482**	**231,332**
Equity attributable to owners of the parent	229,260	231,540
Share capital	3,652	3,652
Reserve funds	177,662	177,662
Other components of equity		
Retained earnings/(deficit)	47,947	50,226
Non-controlling interests	**222**	**-208**
NON-CURRENT LIABILITIES	**35,414**	**30,782**
Borrowings and other debt instruments	11,567	5,568
Financial liabilities	113	113
Deferred tax liabilities	14,767	15,654
Provision for retirement and similar benefits	4,464	4,896
Prepaid expenses	4,503	4,552
CURRENT LIABILITIES	**113,529**	**128,250**
Borrowings and other debt instruments	3,486	22,555
Financial liabilities	945	7,342
Trade payables	36,583	26,353
Taxes, customs duties and social security payable	4,221	1,806
Other current liabilities	5,001	6,007
Provision for retirement and similar benefits	4,189	5,088
Other provisions	5,482	4,490
Prepaid expenses	53,622	54,608
LIABILITIES HELD FOR SALE		
TOTAL EQUITY AND LIABILITIES	**378,424**	**390,364**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

	for the period Jan 1 – Mar 31 2012	for the period Jan 1 – Mar 31 2011
Revenue, including:	**109,502**	**70,689**
Revenue from sale of finished goods	109,164	70,440
Revenue from sale of merchandise and materials	338	250
Cost of sales, including:	**-84,339**	**-56,189**
Finished goods sold	-84,057	-55,755
Merchandise and materials sold	-282	-434
Gross profit (loss)	**25,164**	**14,501**
Other income	524	297
Distribution costs	-5,394	-4,372
Administrative expenses	-11,172	-9,429
Other expenses	-237	-650
Operating profit (loss)	**8,885**	**347**
Finance income	5,477	637
Finance costs	-6,030	-952
Share of net profit (loss) of associates	301	204
Profit (loss) before tax	**8,633**	**237**
Actual tax expense	-3,542	-680
Net profit (loss) from continuing operations	**5,091**	**-443**
Profit (loss) from discontinued operations		**-70**
Profit (loss) attributable to non-controlling interests	**-83**	
Profit (loss) for financial year, net of tax	**5,174**	**-513**
Earnings per share (PLN)	0.49	-0.05
Weighted average number of shares as at	10,476,210	10,476,210
OTHER COMPREHENSIVE INCOME:		
Valuation of derivative instruments:		
- Valuation of cash flow hedging derivatives	1,253	-39
- Income tax relating to other comprehensive income	-238	7
Translation reserve	-8,588	-6,010
Other comprehensive income, net	**-7,572**	**-6,042**
Total comprehensive income	**-2,398**	**-6,555**

CONSOLIDATED STATEMENT OF CASH FLOWS
(PLN '000)

	for the period Jan 1 – Mar 31 2012	for the period Jan 1 – Mar 31 2011
OPERATING ACTIVITIES		
Profit (loss) before tax	**8,633**	**237**
Total adjustments:	**16,022**	**-10,065**
Share in net profit of subordinates accounted for using the equity method	-301	-204
Depreciation and amortisation	1,751	1,570
Foreign exchange gains (losses)	-543	-861
Interest and profit distributions (dividends)	257	188
Profit (loss) on investing activities	1,394	-722
Change in provisions	1,296	277
Change in inventories	-7,071	-1,834
Change in receivables	49,668	4,466
Change in current liabilities (other than financial liabilities)	7,169	2,476
Change in accruals and deferrals	-31,916	-15,869
Derivatives	-5,681	448
Other adjustments	-2	
Cash from operating activities	**24,655**	**-9,828**
Income tax (paid)/refunded	82	-314
Net cash flows from operating activities	**24,737**	**-10,143**
INVESTING ACTIVITIES		
Inflows	**677**	**695**
Proceeds from disposals of intangible assets and property, plant and equipment	51	55
Proceeds from disposals of financial assets	626	7
Other inflows from financial assets		2
Cash received in connection with derivative instruments		631
Outflows	**2,852**	**2,107**
Investments in intangible assets, property, plant and equipment, and investment property	1,471	2107
Cash paid in connection with derivative instruments	1381	
Net cash flows from investing activities	**-2,175**	**-1,412**
FINANCING ACTIVITIES		
Inflows	**6,890**	**9,552**

Borrowings and other debt instruments	6,890	9,552
Outflows	**20,506**	**271**
Repayment of borrowings and other debt instruments	20,185	
Payment of finance lease liabilities	58	75
Interest paid	263	195
Net cash flows from financing activities	**-13,616**	**9,281**
Total net cash flows	**8,946**	**-2,274**
Balance-sheet change in cash, including:	**10,217**	**-1,814**
- exchange differences on cash and cash equivalents	249	-3
Cash at beginning of the period	**20,239**	**14,946**
Cash at end of the period, including:	**29,185**	**12,672**
- restricted cash		
- cash relating to discontinued operations		20

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Reserve funds	Capital reserve from revaluation of hedging instruments	Other components of equity	Foreign exchange differences	Retained earnings/deficit	Non-controlling interests	Total equity
Three months ended March 31st 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**
Three months ended March 31st 2012								
Equity as at Jan 1 2012	**3,652**	**177,662**	**-942**	**0**	**12,289**	**38,879**	**-208**	**231,332**
Total comprehensive income for three months ended Mar 31 2012			1,015		-8,588	5,293	430	**-1,850**
Equity as at Mar 31 2012	**3,652**	**177,662**	**73**	**0**	**3,701**	**44,172**	**222**	**229,482**

INTERIM CONDENSED
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2012

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets	as at Mar 31 2012	as at Dec 31 2011
NON-CURRENT ASSETS	**132,543**	**132,716**
Property, plant and equipment	21,315	21,167
Investment property	419	422
Intangible assets	12,753	12,891
Investments in subsidiary, jointly-controlled and associated entities	95,711	94,915
Deferred tax assets	2,345	3,320
CURRENT ASSETS	**93 225**	**90,055**
Inventories	15,636	14,535
Trade receivables	24,859	42,783
Income tax assets	1,196	1,311
Other current receivables	5,711	3,740
Prepaid expenses	484	834
Financial assets at fair value through profit or loss	77	
Loans advanced and receivables	2,421	2,453
Cash and cash equivalents	14,511	1,452
Contract settlement	28,330	22,948
ASSETS HELD FOR SALE	**3,770**	**3,770**
TOTAL ASSETS	**229,538**	**226,541**

Equity and liabilities	as at Mar 31 2012	as at Dec 31 2011
EQUITY	**171,548**	**171,331**
Share capital	**3,652**	**3,652**
Reserve funds	161,361	161,361
Other components of equity		
Retained earnings/(deficit)	6,534	6,318
NON-CURRENT LIABILITIES	**13,533**	**14,252**
Borrowings and other debt instruments	4,289	5,126
Deferred tax liabilities	4,576	4,408
Provision for retirement and similar benefits	165	165
Prepaid expenses	4,503	4,552
CURRENT LIABILITIES	**44,457**	**40,958**
Borrowings and other debt instruments	1,763	8,269
Financial liabilities	441	4,327
Trade payables	14,411	11,077
Other current liabilities	3,592	2,994
Provision for retirement and similar benefits	2,489	2,180
Other provisions	2,070	2,072
Prepaid expenses	19,692	10,039
LIABILITIES HELD FOR SALE		
TOTAL EQUITY AND LIABILITIES	**229,538**	**226,541**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

	for the period Jan 1 – Mar 31 2012	for the period Jan 1 – Mar 31 2011
Revenue, including:	**27,909**	**23,897**
Revenue from sale of finished goods	27,786	23,818
Revenue from sale of merchandise and materials	123	79
Cost of sales, including:	**-20,893**	**-18,127**
Finished goods sold	-20,790	-18,053
Merchandise and materials sold	-103	-73
Gross profit (loss)	**7,016**	**5,770**
Other income	433	276
Distribution costs	-998	-1,255
Administrative expenses	-5,302	-4,773
Other expenses	-172	-165
Operating profit (loss)	**976**	**-146**
Finance income	2,989	640
Finance costs	-3,573	-338
Profit (loss) before tax	**393**	**156**
Actual tax expense	-992	-70
Net profit (loss) from continuing operations	**-599**	**86**
Profit (loss) from discontinued operations		
Profit (loss) for financial year, net of tax	**-599**	**86**
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income:		
Valuation of cash flow hedging derivatives	1,006	-39
Income tax relating to other comprehensive income	-191	7
Other comprehensive income, net	**815**	**-32**
Total comprehensive income	**216**	**54**

SEPARATE SEPARATE STATEMENT OF CASH FLOWS (PLN '000)

	for the period Jan 1 – Mar 31 2012	for the period Jan 1 – Mar 31 2011
OPERATING ACTIVITIES		
Profit (loss) before tax	**393**	**156**
Total adjustments:	**23,303**	**-3,191**
Depreciation and amortisation	751	703
Foreign exchange gains (losses)	990	-351
Interest and profit distributions (dividends)	125	49
Profit (loss) on investing activities	887	-574
Change in provisions	307	264
Change in inventories	-1,101	397
Change in receivables	15,958	1,578
Change in current liabilities (other than financial liabilities)	3,767	-4,059
Change in accruals and deferrals	4,571	-1,386
Derivatives	-2,951	186
Cash from operating activities	**23,696**	**-3,035**
Income tax (paid)/refunded	114	-314
Net cash flows from operating activities	**23,811**	**-3,349**
INVESTING ACTIVITIES		
Inflows	**80**	**1,395**
Proceeds from disposals of intangible assets and property, plant and equipment	50	14
Proceeds from disposals of financial assets		741
Interest income	30	66
Cash received in connection with derivative instruments		573
Outflows	**2,490**	**753**
Investments in intangible assets, property, plant and equipment, and investment property	820	753
Acquisition of related entities	796	
Cash paid in connection with derivative instruments	874	
Net cash flows from investing activities	**-2,410**	**642**
FINANCING ACTIVITIES		
Inflows		**1,416**

Borrowings and other debt instruments		1,416
Outflows	**8,109**	**127**
Repayment of borrowings and other debt instruments	7,950	
Payment of finance lease liabilities	4	12
Interest paid	155	116
Net cash flows from financing activities	**-8,109**	**1,288**
Total net cash flows	**13,292**	**-1,419**
Balance-sheet change in cash, including:	**13,059**	**-1,434**
- exchange differences on cash and cash equivalents	233	15
Cash at beginning of the period	**1,411**	**2,742**
Cash at end of the period, including:	**14,703**	**1,323**
- restricted cash		

SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Reserve funds	Capital reserve from revaluation of hedging instruments	Other components of equity	Retained earnings/deficit	Non-controlling interests	Total equity
			Three months ended March 31st 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**
			Three,months,ended,March,31st,2012				
Equity as at Jan 1 2012	**3,652**	**161,361**	**-753**	**0**	**7,071**	**0**	**171,331**
Total comprehensive income for three months ended Mar 31 2012			815		-599		**216**
Equity as at Mar 31 2012	**3,652**	**161,361**	**62**	**0**	**6,472**		**171,548**

SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31ST 2012

Selected supplementary information

As provided for under IAS 18, revenue from sales of finished goods, merchandise, 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.

Revenue and total revenue and income of the Group:

Item	Q1 2012	Q1 2011
Sale of finished goods	109,164	70,440
Sale of merchandise and materials	338	250
TOTAL revenue	**109,502**	**70,689**
Other income	524	297
Finance income	5,477	637
TOTAL revenue and income	**115,503**	**71,623**

OPERATING SEGMENTS

IFRS 8 "Operating Segments", which has superseded previously binding IAS 14 "Segment Reporting", has been effective since 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 the 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 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 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 treatment processes, which generally offer a plethora of applications. The Aluminium Process solutions offered by the

Group are used in the production of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. In addition, the Aluminium Process systems are used to heat treat aluminium castings.

Melting furnaces

The metallurgy applications of the vacuum melting furnaces include alloying, melting and purifying specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Due to their physical properties, specialty metals may only be treated with the use of 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 2012

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Profit/loss of business segments									
Total segment revenue	**17,752**	**10,346**	**14,533**	**13,093**	**46,241**	**101,964**		**7,538**	**109,502**
Total segment expenses	**-12,868**	**-7,320**	**-11,656**	**-9,158**	**-36,670**	**-77,671**		**-6,667**	**-84,339**
Administrative expenses								-5,394	-5,394
Distribution costs								-11,172	-11,172
Operating income								524	524
Operating expenses								-237	-237
Segment profit/(loss) on operating activities	4,884	3,026	2,877	3,935	9,572	24,293			**8,885**
Finance income								5,477	5,477
Finance costs								-6,030	-6,030
Profit (loss) before tax									**8,332**
Actual tax expense								-3,542	-3,542
Profit/(loss) from continuing operations									**4,790**
Share in profit of associate								301	301
(Profit) loss attributable to non-controlling interests								-83	-83
Net profit/(loss) for period									**5,174**

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

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Profit/loss of business segments									
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**
Administrative expenses							-128	-9,429	-9,429
Distribution costs							-40	-4,372	-4,372
Operating income							0	297	297
Operating expenses							0	-650	-650
Profit/(loss) from continuing operations before tax and finance costs	3,417	1,583	3,391	735	4,435	13,561	**-68**	**,**	**347**
Finance income							,	637	637
Net finance costs							-2	-952	-952
Share in profit of associate							,	204	204
Profit (loss) before tax									**237**
Actual tax expense								-680	-680
Profit (loss) from discontinued operations							-70		70
Net profit/(loss) for period									**-513**

PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–March 31st 2012, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 1,471 thousand.

Item	Mar 31 2012	Mar 31 2011
Tangible assets	48,624	48,504
Tangible assets under construction	2,263	4,422
Prepayments for tangible assets under construction		
Property, plant and equipment	**50,887**	**52,926**

IMPAIRMENT LOSSES ON ASSETS

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

As at March 31st 2012, trade receivables of PLN 1,721 thousand were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised. As at December 31st 2011, impairment loss on trade receivables amounted to PLN 2,561 thousand.

As at March 31st 2012, the SECO/WARWICK Group recognised impairment losses on inventories in the amount of PLN 1,631 thousand, compared with PLN 1,737 thousand as at December 31st 2011.

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

In Q1 2012, the SECO/WARWICK Group did not pay or declare any dividend.

INVESTMENT COMMITMENTS

As at March 31st 2012, the Group had investment commitments of PLN 61 thousand.

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 2012	as at Dec 31 2011	as at Mar 31 2011
Contingent receivables	**436**	**639**	**72**
from related entities			
from other entities (including)	436	639	72
- guarantees	436	639	72
Contingent liabilities	**68,502**	**72,686**	**41,192**
to related entities	3,138	6,855	3,300
to other entities (including)	65,364	65,831	37,892
- guarantees	65,364	65,831	37,892

SURETIES ADVANCED BY SECO/WARWICK

Company name	Bank name	Surety in respect of	Currency	Mar 31 2012 ('000)	*AMOUNT (PLN '000)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	13,757
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,119
RETECH Systems	East West Bank	Guarantee and credit facility	USD	19,000	59,236
Hart-Tech	BOŚ Bank	Conditional surety	PLN	2,000	2,000
TOTAL					**78,112**

Company name	Bank name	Surety in respect of	Currency	Dec 31 2011 ('000)	*AMOUNT (PLN '000)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	14,423
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,417
RETECH Systems	East West Bank	Guarantee and credit facility	USD	19,000	64,931
Hart-Tech	BOŚ Bank	Conditional surety	PLN	2,000	2,000
TOTAL					**84,771**

On April 6th 2011, the Management Board of the Company adopted a resolution to increase the value of 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 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 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 in 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.

The PLN 2,000 thousand surety was issued by SECO/WARWICK S.A. to secure the repayment of a bank borrowing contracted by Hart-Tech Sp. z o.o. from Bank Ochrony Środowiska. The surety is conditional, as defined in Art. 89 of the Polish Civil Code, and the condition giving legal effect to the obligation undertaken by SECO/WARWICK S.A. under the surety is the award of financial aid in the form of technology credit under Measure 4.3 of the Operational Programme Innovative Economy 2007-2013 to Hart-Tech Sp. z o.o. by Bank Gospodarki Krajowej. Technology Credit Facility under the Innovative Economy Operational Programme, 2007-2013.

PROVISIONS FOR RESTRUCTURING

In the period from January 1st to March 31st 2012, the SECO/WARWICK Group did not release any provisions for restructuring costs.

SETTLEMENTS RELATED TO COURT CASES

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

Consistency of the accounting policies and computation methods applied in the preparation of the interim report for Q1 2012

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

These interim condensed separate consolidated financial statements have been prepared in accordance with International Accounting Standard 34. The applied accounting policies and calculation methods are consistent with those applied in the most recent annual financial statements.

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 2011 or changes in estimates disclosed in previous financial years if they have a material bearing on Q1 2012

In the business activities of SECO/WARWICK S.A. and the SECO/WARWICK Group, there occurred no changes in the disclosed estimates that would, due to their type or amount, have a material bearing on the results of Q1 2012.

Issue, redemption and repayment of debt and equity securities

No debt or equity securities were issued, redeemed or repurchased in Q1 2012.

Earnings per share

	Mar 31 2012	Mar 31 2011
Weighted average number of shares	10,476,210	10,476,210
Earnings attributable to owners of the parent	5,174	(513)
Earnings per share	0.49	(0.05)

Material events subsequent to the end of Q1 2012, not disclosed in the financial statements for Q1 2012 but potentially with a material bearing on future performance of the SECO/WARWICK Group

On April 16th 2012, the Company's Management Board was notified that its subsidiary Retech Systems LLC (USA) and Titanium Metals Corporation (USA) had signed a contract to manufacture and deliver equipment for melting and refining titanium. The contract was signed on April 12th 2012, its term runs from April 12th 2012 until November 30th 2013, and its value is USD 16,884,192 (PLN 53,722,122).

Save for the above, in the operations of SECO/WARWICK S.A. and its subsidiaries, no material events occurred which might have a material bearing on the future performance of SECO/WARWICK S.A. and the SECO/WARWICK Group and which were not 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 companies, long-term investments, demergers, restructuring or discontinuation of operations

In the reporting period, Retech Systems LLC sold a 20% interest in Retech Tianjin Holdings LLC. Following the transaction, SECO/WARWICK S.A. actually holds a 90% interest in SECO/WARWICK Retech.
In Q1 2012, there were no other changes in the SECO/WARWICK Group's structure resulting from mergers, acquisitions or disposals of Group companies, long-term investments, demergers, restructuring or discontinued operations.

2. Management Board’s position on the feasibility of meeting any previously published forecasts for 2012 in light of results presented in the Q1 2012 report

The Management Board of SECO/WARWICK S.A. did not publish any financial forecasts for 2012 concerning the Company or the SECO/WARWICK Group.

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

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Meeting as at the release date of the previous quarterly report, i.e. February 29th 2012

Shareholder	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%*

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

On March 12th 2012, SECO/WARWICK S.A. received notifications from James A. Goltz and Bleauhard Holdings LLC ("BHLLC") regarding sale by James A. Goltz of 904,207 Company shares to BHLLC. BHLLC is James A. Goltz's subsidiary.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Meeting as at the release date of this report, i.e. May 15th 2012

Shareholder	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%*
Bleauhard Holdings LLC	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%*

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

4. Shares of SECO/WARWICK held by the members of the Management Board and Supervisory Board as at the release date of this report, including information on any changes since the publication of the Q4 2011 report.

	Feb 29 2012				**May 15 2012**			
	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								
Paweł Wyrzykowski	-	-	-	13,541	13,541	0.13%	0.13%	2,708
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	100	0.001%	0.001%	0	100	0.001%	0.001%	20
Piotr Kowalewski	-	-	-	-	-	-	-	-
Piotr Kula	8,500	0.08%	0.08%	0	8,500	0.08%	0.08%	1,700
Mariusz Czaplicki	-	-	-	-	-	-	-	-
Artur Rusiecki	-	-	-	-	-	-	-	-
Commercial proxies	,	,	,	,	,	,	,	,
Dorota Subsar	-	-	-	-	-	-	-	-

Total	661 933	6,32%	6,32%	13 541	675 474	6,45%	6,45%	135 095

Item	15.05.2012
Number of shares	10,476,210
Wartość nominalna akcji	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 entities.

On April 2nd 2012, the Company's Management Board received a notification required under Art. 160 of the Act on Trading in Financial Instruments from the President of the Management Board. According to the notification, in the period from March 22nd to March 26th 2012 the President of the Management Board purchased a total of 13,541 Company shares at an average price of PLN 24,36 per share.

In the period under review and until May 15th 2012, members of the Management Board and Supervisory Board of SECO/WARWICK S.A did not execute any transactions involving their shares in SECO/WARWICK S.A.

5. Court, arbitration or administrative proceedings

In Q1 2012, the individual or aggregate value of any liabilities or receivables of SECO/WARWICK S.A or the Group companies 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 any single transaction or a series of transactions concluded by the Company or its subsidiaries with related parties where the value of 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 the release date of this report, SECO/WARWICK S.A. and its subsidiaries did not enter into any material transactions with related parties other than arm's length and routine transactions.

7. Material achievements and failures of SECO/WARWICK S.A. and its Group in Q1 2012, including a list of the pertinent events

Material achievements of the SECO/WARWICK Group include:

- order book value as at the end of March 2012 of PLN 240m (up by 12% year on year) - in Q1 2012 the Company acquired orders for nearly PLN 116m;
- execution in February 2012 of a contract with Qinghai Supower Titanium Co. Ltd (China) for construction and supply of equipment for melting and refining of titanium for a total value of PLN 68.8m (not included in the order book as the export licence has not been obtained);
- execution in April 2012 of a contract with Titanium Metals Corporation (USA) for construction and supply of equipment for melting and refining of titanium for a total value of PLN 53.7m;

- improvement in sales at all Group companies: by 55% year on year at the Group level (2011: PLN 71m; 2012: PLN 110m) as a result of organic growth at most of the operating segments;
- higher EBITDA margin (2011: 2.7%; 2012: 9.7%);
- improved net profit margin (2011: -0.7%; 2012: 4.7%);
- achievement of sales, performance and margin targets at key SECO/WARWICK Group companies, in line with the budget.

The Management Board is not aware of any material failures at the parent or any of its direct or indirect subsidiaries occurring in the analysed period or after March 31st 2012.

8. Sureties for bank borrowings or guarantees issued by SECO/WARWICK S.A. or its subsidiaries, 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

In Q1 2012, there were no other events related to sureties for bank borrowings or guarantees exceeding 10% of the Company's equity, issued by SECO/WARWICK S.A .or any of its subsidiaries.

9. Other information which in the Company's opinion is material for the assessment of its personnel, assets, financial standing and financial result and their changes, or for the assessment of its ability to fulfil obligations

In the Group's opinion, information which may be material for the assessment of personnel, assets, financial standing and financial result and their changes, is that economic conditions have improved in the manufacturing sector. The Group secured a significant order book, whose value as at the end of Q1 2012 was PLN 240m. The contracts primarily provide for deliveries of specialist melting furnaces, vacuum furnaces and atmosphere heat treatment furnaces.

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 2012 report, the Company's and the SECO/WARWICK Group'soperations were stable. All liabilities related to the Company's operations are settled on a timely basis.

10. Factors which in the Group's opinion will affect its results in the next quarter or in a longer term

In the opinion of the Company's Management Board, the following events which occurred between January 1st 2012 and March 31st 2012 will affect the Group's performance in the next quarter or in a longer term.

- On January 12th 2012, the Supervisory Board appointed Mr Paweł Wyrzykowski as President of the Management Board of SECO/WARWICK S.A., with effect as of February 1st 2012.
- Between January 26th and February 2nd 2012, SECO/WARWICK S.A. and SECO/WARWICK ThermAL S.A., the Issuer's subsidiary, executed with BRE Bank S.A. of Warsaw nine forward contracts for the sale of euro in the total amount of EUR 2,788,000 (PLN 11,708,206), two forward contracts to sell U.S. dollars in the total amount of USD 3,650,000 (PLN 11,663,575), eleven zero-cost collar contracts comprising a long put option and a short call option with a total value of EUR 2,220,000 (PLN 9,373,506), and one zero-cost collar contract comprising a long put option and a short call option with a total value of USD 800,000 (PLN 2,578,640). The total value of the contracts is PLN 35,323,927.
- On February 2nd 2012, the Company's Management Board received a notification of an agreement concluded between Retech Systems LLC. of Ukiah, USA, its subsidiary, and

Qinghai Supower Titanium Co. Ltd of China concerning the construction and supply of equipment for melting and refining of titanium. The agreement was executed on February 2nd 2012 for a period of 12 months and its value amounts to USD 21,531,600 (PLN 68,804,228)

- On March 12th 2012, the Company's Management Board received notifications from James A. Goltz and Bleauhard Holdings LLC ("BHLLC") of the sale by James A. Goltz of 904,207 Company shares to BHLLC. BHLLC is James A. Goltz's subsidiary.

11. Description of factors and events, especially of non-recurring nature, with a material bearing on the financial performance in Q1 2012

In the SECO/WARWICK Group' s operations, there were no factors or events, especially of non-recurring nature, that would have a material bearing on its financial performance in Q1 2012.