THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE PERIOD
JANUARY 1ST–SEPTEMBER 30TH 2012
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS

CONTENTS

1. General information

Information on the SECO/WARWICK Group

The parent of the SECO/WARWICK Group ("SECO/WARWICK Group", " Issuer Group", "Group") is SECO/WARWICK Spółka Akcyjna of Świebodzin ("Issuer", " Company"). The Company was registered on January 2nd 2007 by virtue of a decision issued by the 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 five main product categories are:

- 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 seven subsidiaries:

- SECO/WARWICK ThermAL S.A. (as of October 19th 2012: SECO/WARWICK EUROPE 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,
- OOO SCT (Solnechnogorsk) Russia.

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 September 30th 2012

Table: As at September 30th 2012, the structure of the SECO/WARWICK Group was as follows:

Company	Registered office	Business profile	Method of consolidation / accounting for equity interest	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 support to customers in Germany, Austria, the Netherlands, Switzerland, Liechtenstein and Slovenia.	Full	51%
OOO SCT (8)	Solnechnogorsk (Russia)	Provision of metal heat treatment services in the territory of Russia.	Full	50%

[(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 the 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 the shares in the company, while a German partner holds a non-controlling interest.

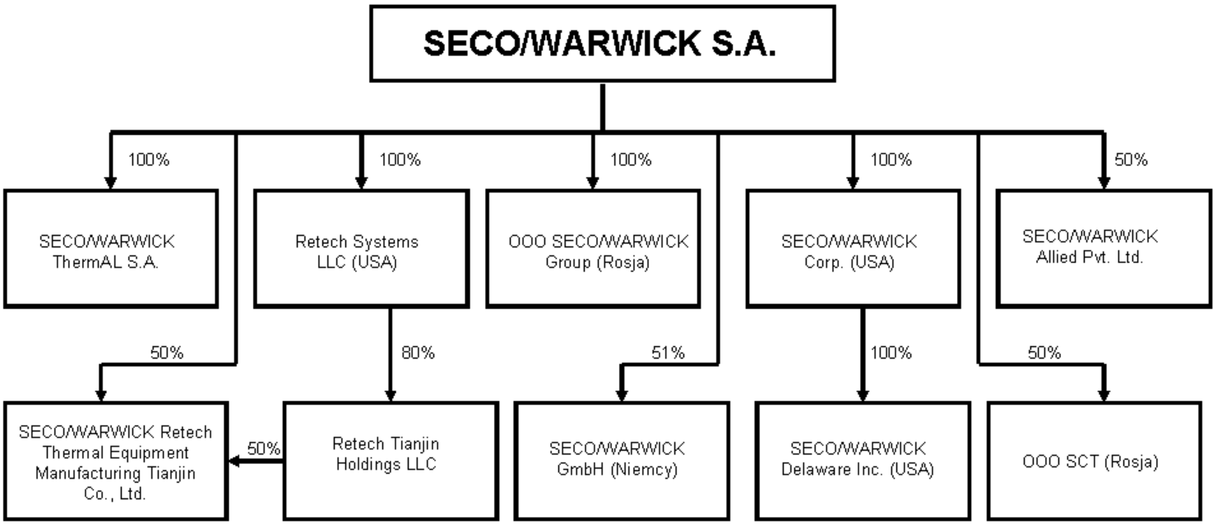
[(8)] OOO SCT (Solnechnogorskiy Centr Termoobrabotky) of Russia was registered on August 17th 2012. Construction and assembly work on a plant located near Moscow in under way. SECO/WARWICK S.A holds 50% of the shares in the company, while a Russian partner holds a non-controlling interest.

Composition of the SECO/WARWICK Group as at the date of release of this report

After September 30th 2012 and until the publication of these statements, there were no changes in the composition of the SECO/WARWICK Group.

As part of continuing implementation of the Group's strategy, SECO/WARWICK ThermAL S.A. was renamed as SECO/WARWICK EUROPE S.A. on October 19th 2012.

Graphic presentation of the Group:



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 derivative instruments, 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.
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 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 Company 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 derivative instruments, 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 derivative instruments, 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 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 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 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 as at each balance-sheet date.

Accruals and deferred 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.

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/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 long- and short-term 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 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

The accounting policies applied when preparing annual consolidated financial statements are consistent with the accounting policies used to draw up the annual consolidated financial statements for the year ended December 31st 2011, save for the following amendments to standards and interpretations effective for periods beginning on January 1st 2012.
The Group did not choose to apply early any new standards and interpretations which have already been issued and endorsed by the European Union but will be effective after the balance-sheet date.

➢ **Amendment 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 the said amendments did not affect the Group's financial position or operating results.

➢ **Amendments to IAS 12 "Income Tax – deferred tax – recovery of underlying assets"**
The amended standard provides guidance on how to measure deferred tax when the tax laws provide for a different treatment depending on whether the value of investment property is recovered through its use or sale, and the entity is not planning to use the property. In such a case, the investment property is expected to be sold. If the objective of the entity's business model for the investment property is to recover the economic benefits from the investment property over time rather than through its sale, the presumption is rebutted and deferred tax is calculated based on the use of investment property other than through its sale.

The application of the 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 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 Management Board of the parent 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	30.09.2012	Dec 31 2011	30.09.2011
Average exchange rate for the period*	4.1948	4.1401	4.0413
Exchange rate effective for the last day of the period	4.1138	4.4168	4.4112

**) 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	Q3 Jan 1–Sep 30		Q1–Q3 Jan 1–Sep 30	
	2012	2011	2012	2011
	(PLN '000)		(EUR '000)	
Revenue	350,561	265,251	83,569	65,634
Cost of sales	-263,230	-197,947	-62,751	-48,981
Operating profit/(loss)	33,575	23,713	8,004	5,868
Profit (loss) before tax	33,710	20,449	8,036	5,060
Profit (loss), net of tax	22,732	14,355	5,419	3,552
Net cash flows from operating activities	39,520	8,726	9,421	2,159
Net cash flows from investing activities	-7,599	-5,604	-1,811	-1,387
Net cash flows from financing activities	-5,699	-4	-1,359	-1
	30.09.2012	**Dec 31 2011**	**30.09.2012**	**Dec 31 2011**
Total assets	417,980	390,364	101,604	88,382
Total liabilities	170,158	159,032	41,363	36,006
including current liabilities	138,178	128,250	33,589	29,037

Equity	247,823	231,332	60,242	52,375
Share capital	3,652	3,652	888	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–Q3 Jan 1–Sep 30		Q1–Q3 Jan 1–Sep 30	
	2012	2011	2012	2011
	(PLN '000)		(EUR '000)	
Revenue	109,589	90,702	26,125	22,444
Cost of sales	-81,517	-64,761	-19,433	-16,025
Operating profit/(loss)	8,391	6,888	2,000	1,704
Profit (loss) before tax	7,168	6,570	1,709	1,626
Profit (loss), net of tax	5,523	5,150	1,317	1,274
Net cash flows from operating activities	29,659	-5,585	7,070	-1,382
Net cash flows from investing activities	-4,037	-857	-962	-212
Net cash flows from financing activities	-9,199	5,906	-2,193	1,461
	30.09.2012	**Dec 31 2011**	**30.09.2012**	**Dec 31 2011**
Total assets	236,791	226,541	57,560	51,291
Total liabilities	58,180	55,210	14,143	12,500
including current liabilities	43,753	40,958	10,636	9,273
Equity	178,611	171,332	43,417	38,791
Share capital	3,652	3,652	888	827

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–SEPTEMBER 30TH 2012

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)

Assets	as at Sep 30 2012	as at Jun 30 2012	as at Dec 31 2011	as at Sep 30 2011
NON-CURRENT ASSETS	**153,980**	**160,750**	**160,853**	**158,091**
Property, plant and equipment	49,852	51,071	52,979	55,898
Investment property	412	415	422	425
Goodwill	60,555	64,565	65,116	62,067
Intangible assets	13,479	13,799	14,091	13,810
Investments in associates	20,104	19,975	18,462	17,210
Financial assets available for sale	3	3	3	3
Other financial assets	17	17		
Deferred tax assets	9,558	10,904	9,780	8,677
CURRENT ASSETS	**259,837**	**231,094**	**225,347**	**225,353**
Inventories	33,318	30,197	26,034	24,823
Trade receivables	63,908	63,546	107,077	75,625
Income tax assets			1,311	
Other current receivables	17,606	17,027	11,642	15,348
Accruals and deferred income	11,343	5,317	2,171	3,022
Financial assets at fair value through profit or loss	2,740	419	10	
Loans and receivables	5	7		
Cash and cash equivalents	46,395	24,776	20,285	18,349
Contract settlement	84,521	89,805	56,817	88,186
ASSETS HELD FOR SALE	**4,164**	**4,164**	**4,164**	**1,654**
TOTAL ASSETS	**417,980**	**396,007**	**390,364**	**385,098**

Equity and liabilities	as at 30.09.2012r.	as at 30.06.2012r.	as at 31.12.2011r.	as at Sep 30 2011
EQUITY	**247,823**	**243,110**	**231,332**	**225,223**
Equity attributable to owners of the parent	**247,293**	**243,059**	**231,540**	**224,812**
Share capital	3,652	3,652	3,652	3,652
Reserve funds	189,136	189,136	177,662	177,662
Other components of equity				112
Retained earnings/(deficit)	54,505	50,270	50,226	43,387
Non-controlling interests	**529**	**51**	**-208**	**411**
NON-CURRENT LIABILITIES	**31,979**	**33,784**	**30,782**	**31,533**
Borrowings and other debt instruments	3,987	4,662	5,568	7,363
Financial liabilities	256	145	113	131
Deferred tax liabilities	18,677	19,529	15,654	16,593
Provision for retirement and similar benefits	4,468	4,778	4,896	3,041
Accruals and deferred income	4,592	4,670	4,552	4,406
CURRENT LIABILITIES	**138,178**	**119,113**	**128,250**	**128,342**
Borrowings and other debt instruments	18,686	16,980	22,555	29,284
Financial liabilities	360	1,802	7,342	10,250
Trade payables	32,477	30,240	26,353	27,016
Income tax payable	3,988	3,539		
Taxes, customs duties and social security payable	3,802	1,313	1,806	3,603
Other current liabilities	6,745	6,932	6,007	6,231
Provision for retirement and similar benefits	5,102	4,624	5,088	1,541
Other provisions	5,377	4,741	4,490	5,744
Accruals and deferred income	61,641	48,942	54,608	44,674
LIABILITIES HELD FOR SALE				
TOTAL EQUITY AND LIABILITIES	**417,980**	**396,007**	**390,364**	**385,098**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME(PLN '000)

	for the period Jan 1–Sep 30 2012 (Q1–Q3 2012)	for the period Jul 1–Sep 30 2012 (Q3 2012)	for the period Jan 1–Sep 30 2011 (Q1–Q3 2011)	for the period Jul 1–Sep 30 2012 (Q3 2011)
Revenue, including:	**350,561**	**119,993**	**265,251**	**110,528**
Revenue from sale of finished goods	339,545	120,187	263,923	109,827
Revenue from sale of merchandise and materials	11,016	-194	1,327	700
Cost of sales, including:	**-263,230**	-87,995	**-197,947**	**-74,886**
Finished goods sold	-252,676	-88,383	-197,047	-74,386
Merchandise and materials sold	-10,554	388	-900	-500
Gross profit/(loss)	**87,331**	**31,997**	**67,304**	**35,641**
Other income	2,291	857	2,122	990
Distribution costs	-17,299	-5,910	-13,937	-4,579
Administrative expenses	-37,094	-12,078	-28,730	-8,974
Other expenses	-1,654	-898	-3,045	-1,303
Operating profit/(loss)	**33,575**	13,967	**23,713**	**21,775**
Gain (loss) on disposal / result related to loss of control			-294	
Finance income	7,386	1,987	2,174	118
Finance expenses	-8,324	-1,702	-5,181	-3,495
Share of net profit (loss) of associates	1,073	278	37	-106
Profit (loss) before tax	**33,710**	**14,529**	**20,449**	**18,292**
Actual tax expense	-11,387	- 4,673	-5,775	-4,707
Net profit (loss) from continuing operations	**22,323**	**9,857**	**14,674**	**13,585**
Profit/(loss) on discontinued operations				
Profit (loss) attributable to non-controlling interests	**-409**	**-115**	**319**	**319**
Profit (loss) for financial year, net of tax	**22,732**	**9,972**	**14,355**	**13,265**

OTHER COMPREHENSIVE INCOME:	for the period 01.01.2012 -	for the period Jul 1–Sep 30 2012	for the period 01.01.2011 -	for the period Jul 1–Sep 30 2012

	30.09.2012		30.09.2011	
	(Q1–Q3 2012)	(Q3 2012)	(Q1–Q3 2011)	(Q3 2011)
Valuation of derivative instruments:	2,251	1,608	-3,049	-3,094
- Valuation of cash flow hedging derivative instruments	2,778	1,985	-3,765	-3,820
- Income tax in respect of derivative instruments	-528	-377	715	726
Translation reserve	-9,210	-7,346	6,477	16,307
Other comprehensive income, net	**-6,959**	**-5,738**	**3,427**	**13,213**
Total comprehensive income	**15,773**	**4,234**	**17,782**	**26,479**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (PLN '000)

	for the period Jan 1–Sep 30 2012	for the period Jan 1–Sep 30 2011
OPERATING ACTIVITIES	**(Q1–Q3 2012)**	**(Q1–Q3 2011)**
Profit (loss) before tax	**33,710**	**20,449**
Total adjustments:	**4,590**	**-10,307**
Share in net profit of subordinates accounted for using the equity method	-1,073	-37
Depreciation and amortisation	5,436	4,595
Foreign exchange gains/(losses)	-966	-33
Interest and profit distributions (dividends)	1,090	1,120
Profit/(loss) on investing activities	2,066	-1,668
Change in provisions	1,117	-1,144
Change in inventories	-7,231	-2,901
Change in receivables	33,989	-15,838
Change in current liabilities (other than financial liabilities)	6,858	1,819
Change in accruals and deferrals	-29,048	-3,225
derivative instruments	-7,646	8,264
Other adjustments	-3	-1,259
Cash from operating activities	**38,299**	**10,143**
Income tax (paid)/refunded	1,221	-1,417
Net cash flows from operating activities	**39,520**	**8,726**
INVESTING ACTIVITIES		
Inflows	**1,194**	**1,847**
Proceeds from disposal of intangible assets and property, plant and equipment	466	219
Other inflows from financial assets	512	5
Cash received in connection with derivative instruments	216	1,624
Outflows	**8,793**	**7,451**
Investments in intangible assets, property, plant and equipment, and investment property	3,823	5,616
Acquisition of related entities	2,713	849
Other cash used in investing activities	25	478
Cash attributable to entities the Group no longer controls	2,232	508
Net cash flows from investing activities	**-7,599**	**-5,604**
FINANCING ACTIVITIES		
Inflows	**16,249**	**20,332**
Net proceeds from issue of shares or other equity instruments and equity contributions	1,261	931
Borrowings and other debt instruments	14,988	19,401
Outflows	**21,948**	**20,336**
Dividends and other distributions to owners		1,048
Repayment of borrowings and other debt instruments	20,439	18,247

Payment of finance lease liabilities	365	215
Interest paid	1,144	826
Net cash flows from financing activities	**-5,699**	**-4**
Total net cash flow	**26,222**	**3,118**
Balance-sheet change in cash, including:	25,957	**2,189**
- exchange differences on cash and cash equivalents	111	-184
Cash at beginning of the period	**20,239**	**14,946**
Cash at end of the period, including:	**46,461**	**18,064**
- restricted cash		

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

	Share capital	Reserve funds	Capital reserve from revaluation of derivative instruments	Other reserves	Foreign exchange differences	Retained earnings/(deficit)	Non-controlling interests	Total equity
Equity as at Jan 1 2011	**3,652**	**172,843**	**-17**	**35**	**1,155**	**30,335**		**208,002**
Total comprehensive income for the nine months ended Sep 30 2011			-3,049		6,477	14,355		**17,782**
Distribution of profit (dividend)						-1,048		**-1,048**
Transfer of previous years' profit/loss to statutory reserve funds		4,819				-4,819		
Share-based payments				76				**76**
Non-controlling interests							411	411
Equity as at Sep 30 2011	**3,652**	**177,662**	**-3,067**	**111**	**7,632**	**38,823**	**411**	**225,223**
Equity as at Jan 1 2011	**3,652**	**172,843**	**-17**	**35**	**1,155**	**30,335**		**208,002**
Total comprehensive income for twelve months ended Dec 31 2011			-925		11,135	-923		**9,287**
Distribution of profit (dividend)						-1,048		**-1,048**
Share-based payments				-35				**-35**
Transfer of 2010 earnings		4,819				-4,819		**0**
Net profit						15,093		**15,093**
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						241		**241**
Non-controlling interests							-208	**-208**
Equity as at Dec 31 2011	**3,652**	**177,662**	**-942**	**0**	**12,289**	**38,879**	**-208**	**231,332**
Equity as at Jan 1 2012	**3,652**	**177,662**	**-942**	**0**	**12,289**	**38,879**	**-208**	**231,332**
Total comprehensive income for the nine months ended Sep 30 2012			2,251		-9,210			**-6,959**
Errors from previous years						-132		**-132**
Distribution of profit (dividend)								
Transfer of previous years' profit/loss to statutory reserve funds		11,475				-11,475		
Net profit						22,732		**22,732**
Share-based payments								
Non-controlling interests						113	737	**850**
Equity as at Sep 30 2012	**3,652**	**189,136**	**1,308**	**0**	**3,080**	**50,117**	**529**	**247,823**

INTERIM CONDENSED
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–SEPTEMBER 30TH 2012

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets	as at Sep 30 2012	as at Jun 30 2012	as at Dec 31 2011	as at Sep 30 2011
NON-CURRENT ASSETS	**133,168**	**135,013**	**132,716**	**134,517**
Property, plant and equipment	19,951	20,113	21,167	24,543
Investment property	412	415	422	425
Intangible assets	12,423	12,616	12,891	12,647
Investments in subsidiary, jointly-controlled and associated entities	97,432	97,638	94,915	94,093
Deferred tax assets	2,950	4,230	3,320	2,809
CURRENT ASSETS	**99,853**	**94,143**	**90,055**	**97,691**
Inventories	17,414	17,957	14,535	13,524
Trade receivables	32,625	30,944	42,783	42,003
Income tax assets		159	1,311	539
Other current receivables	8,262	7,956	3,740	7,446
Accruals and deferred income	909	1,023	834	673
Financial assets at fair value through profit or loss	1,830	353		
Loans and receivables	161	431	2,453	4,441
Cash and cash equivalents	17,773	7,583	1,452	2,267
Contract settlement	20,879	27,737	22,948	26,798
ASSETS HELD FOR SALE	**3,770**	**3,770**	**3,770**	**826**
TOTAL ASSETS	**236,791**	**232,926**	**226,541**	**233,034**

Equity and liabilities	as at Sep 30 2012	as at Jun 30 2012	as at Dec 31 2011	as at Sep 30 2011
EQUITY	**178,611**	**174,147**	**171,331**	**171,445**
Equity attributable to owners of the parent	**178,611**	**174,147**	**171,331**	**171,445**
Share capital	3,652	3,652	3,652	3,652
Reserve funds	165,531	165,531	161,361	161,361
Other components of equity				112
Retained earnings/(deficit)	9,428	4,964	6,318	6,320
NON-CURRENT LIABILITIES	**14,427**	**15,151**	**14,252**	**14,877**
Borrowings and other debt instruments	3,575	4,236	5,126	5,293
Deferred tax liabilities	6,094	6,080	4,408	5,068
Provision for retirement and similar benefits	165	165	165	110
Accruals and deferred income	4,592	4,670	4,552	4,406
CURRENT LIABILITIES	**43,753**	**43,629**	**40,958**	**46,713**
Borrowings and other debt instruments	1,589	1,694	8,269	15,087
Financial liabilities	200	1,482	4,327	5,880
Trade payables	12,262	8,761	11,077	10,754
Taxes, customs duties and social security payable				1,538
Income tax payable	155			
Other current liabilities	3,558	3,871	2,994	1,366
Provision for retirement and similar benefits	2,015	2,129	2,180	1,217
Other provisions	1,930	2,391	2,072	2,080
Contract settlement	22,043	23,301	10,039	8,791
LIABILITIES HELD FOR SALE				
TOTAL EQUITY AND LIABILITIES	**236,791**	**232,926**	**226,541**	**233,034**

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	for the period Jan 1–Sep 30 2012 (unaudited)	for the period for the period Jul 1–Sep 30 2012 (unaudited)	for the period Jan 1–Sep 30 2011 (unaudited)	for the period for the period Jul 1–Sep 30 2011 (unaudited)
	(Q1–Q3 2012)	(Q3 2012)	(Q1–Q3 2011)	(Q3 2011)
Revenue, including:	**109,589**	**43,950**	**90,702**	**41,503**
Revenue from sale of finished goods	109,158	43,743	90,485	41,447
Revenue from sale of merchandise and materials	431	207	217	56
Cost of sales, including:	**-81,517**	**-32,204**	**-64,761**	**-26,207**
Finished goods sold	-81,106	-31,985	-64,592	-26,168
Merchandise and materials sold	-410	-219	-170	-39
Gross profit/(loss)	**28,072**	**11,746**	**25,941**	**15,296**
Other income	1,706	533	2,094	988
Distribution costs	-3,135	-1,089	-3,747	-1,062
Administrative expenses	-17,135	-5,501	-15,202	-4,660
Other expenses	-1,117	-807	-2,197	-1,092
Operating profit/(loss)	**8,391**	**4,882**	**6,888**	**9,470**
Finance income	3,283	488	3,901	1,907
Finance expenses	-4,507	-1,287	-4,219	-3,321
Profit (loss) before tax	**7,168**	**4,084**	**6,570**	**8,056**
Actual tax expense	-1,644	-976	-1,420	-1,696
Net profit (loss) from continuing operations	**5,523**	**3,108**	**5,150**	**6,360**
Profit (loss) for financial year, net of tax	**5,523**	**3,108**	**5,150**	**6,360**

OTHER COMPREHENSIVE INCOME:	for the period Jan 1–Sep 30 2012	for the period 01.07.2012-30.09.2012	for the period Jan 1–Sep 30 2011	for the period 01.07.2011 - 30.09.2011
	(Q1–Q3 2012)	(Q3 2012)	(Q1–Q3 2011)	(Q3 2011)
Valuation of cash flow hedging derivative instruments	2,168	1,675	-2,116	-2,171
Income tax relating to other comprehensive income	-412	-319	402	412
Other comprehensive income, net	**1,756**	**1,356**	**-1,714**	**-1,759**
Total comprehensive income	**7,279**	**4,464**	**3,436**	**4,601**

INTERIM SEPARATE STATEMENT OF CASH FLOWS (PLN '000)

	for the period Jan 1–Sep 30 2012	for the period Jan 1–Sep 30 2011
OPERATING ACTIVITIES	**(Q1–Q3 2012)**	**(Q1–Q3 2011)**
Profit (loss) before tax	**7,168**	**6,570**
Total adjustments:	**21,351**	**-10,738**
Depreciation and amortisation	2,375	2,000
Foreign exchange gains/(losses)	675	-722
Interest and profit distributions (dividends)	205	248
Profit/(loss) on investing activities	2,510	-1,393
Change in provisions	-307	-284
Change in inventories	-2,240	-3,466
Change in receivables	5,811	-8,743
Change in current liabilities (other than financial liabilities)	2,267	-1,946
Change in accruals and deferrals	14,039	-277
derivative instruments	-3,984	3,771
Other adjustments	0	76
Cash from operating activities	**28,518**	**-4,168**
Income tax (paid)/refunded	1,141	-1,417
Net cash flows from operating activities	**29,659**	**-5,585**
INVESTING ACTIVITIES		
Inflows	**2,504**	**2,457**
Proceeds from disposal of intangible assets and property, plant and equipment	441	155
Repayment of non-current loans advanced	2,006	691
Cash received in connection with derivative instruments		1,425
Interest income	56	187
Outflows	**6,540**	**3,314**
Investments in intangible assets, property, plant and equipment, and investment property	1,639	1,987
Acquisition of related entities	3,365	849
Increase in loans advanced	160	
Cash paid in connection with derivative instruments	1,377	
Other cash used in investing activities		478
Net cash flows from investing activities	**-4,037**	**-857**
FINANCING ACTIVITIES		
Inflows		**8,558**
Borrowings and other debt instruments		8,558
Outflows	**9,199**	**2,652**
Dividends and other distributions to owners		1,048
Repayment of borrowings and other debt instruments	8,762	1,133
Payment of finance lease liabilities	168	37
Interest paid	268	434
Net cash flows from financing activities	**-9,199**	**5,906**
Total net cash flow	**16,424**	**-537**
Balance-sheet change in cash, including:	16,321	-512
- exchange differences on cash and cash equivalents	103	25
Cash at beginning of the period	**1,411**	**2,742**
Cash at end of period	**17,835**	**2,205**

INTERIM 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
Nine months ended Sep 30 2011							
Equity as at Jan 1 2011	**3,652**	**154,136**	**-17**	**36**	**11,175**	**0**	**168,981**
Total comprehensive income for the nine months ended Sep 30 2011			- 1,714		5,150		**3,436**
Share-based payments				76			**76**
Dividends		-1,048					**-1,048**
Distribution of profit		8,273			-8,273		
Equity as at Sep 30 2011	**3,652**	**161,361**	**- 1,731**	**112**	**8,052**	**0**	**171,445**
Twelve months ended Dec 31 2011							
Equity as at Jan 1 2011	**3,652**	**154,136**	**-17**	**36**	**11,175**	**0**	**168,981**
Total comprehensive income for the twelve months ended Dec 31 2011			- 736		4,169		**3,433**
Dividends					- 1,048		**- 1,048**
Management stock options				-36			**-36**
Distribution of profit		7,225			- 7,225		**0**
Equity as at Dec 31 2011	**3,652**	**161,361**	**-753**	**0**	**7,071**	**0**	**171,331**
Nine months ended Sep 30 2012							
Equity as at Jan 1 2011	**3,652**	**161,361**	**-753**	**0**	**7,071**	**0**	**171,331**
Total comprehensive income for the nine months ended Sep 30 2012			1,756		5,523		**7,279**
Dividends							**0**
Distribution of profit		4,169			-4,169		**0**
Equity as at Sep 30 2012	**3,652**	**165,531**	**1,003**	**0**	**8,425**	**0**	**178,611**

SUPPLEMENTARY INFORMATION

TO THE INTERIM

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE

PERIOD ENDED SEPTEMBER 30TH 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	Q3 2012	Q3 2011
Sales of products	339,545	263,923
Sale of merchandise and materials	11,016	1,327
TOTAL revenue	**350,561**	**265,251**
Other income	2,291	2,122
Finance income	7,386	2,174
TOTAL revenue and income	**360,238**	**269,547**

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 industry, 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).

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

Revenue and net profit/loss of operating segments as at Sep 30 2012

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
	Profit/loss of business segments								
Total segment revenue	**79,194**	**29,548**	**43,734**	**27,887**	**150,186**	**330,548**		**20,013**	**350,561**
Total segment expenses	**-57,522**	**-20,695**	**-33,054**	**-21,151**	**-115,171**	**-247,593**		**-15,638**	**-263,230**
Administrative expenses								-37,094	**-37,094**
Distribution costs								-17,299	**-17,299**
Operating income								2,291	**2,291**
Operating expenses								-1,654	**-1,654**
Segment profit/(loss) on operating activities	**21,672**	**8,853**	**10,680**	**6,736**	**35,016**	**82,956**			**33,575**
Finance income								7,386	**7,386**
Finance expenses								-8,324	**-8,324**
Profit (loss) before tax									**32,637**
Actual tax expense								-11,387	**-11,387**
Net profit (loss) from continuing operations									**21,250**
Loss of control									**0**
Share in profit of associate								1,073	**1,073**
Profit (loss) attributable to non-controlling interests								409	**409**
Net profit/(loss) for period									**22,732**

Revenue and net profit/loss of operating segments as at Sep 30 2011

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	***CAB***	***Thermal***	***Aluminium Process***	***Melting Furnaces***	***Total***			
Profit/loss of business segments									
Total segment revenue	**55,000**	**21,009**	**65,719**	**18,822**	**80,848**	**241,398**		**23,853**	**265,251**
Total segment expenses	**-38,866**	**-14,159**	**-47,503**	**-14,847**	**-66,635**	**-182,010**		**-15,937**	**-197,947**
Administrative expenses								-28,730	**-28,730**
Distribution costs								-13,937	**-13,937**
Operating income								2,122	**2,122**
Operating expenses								-3,045	**-3,045**
Profit/(loss) from continuing operations before tax and finance costs	**16,134**	**6,850**	**18,215**	**3,976**	**14,213**	**59,388**			**23,713**
Finance income								2,174	**2,174**
Finance expenses								-5,181	**-5,181**
Profit (loss) before tax									**20,706**
Actual tax expense								-5,775	**-5,775**
Net profit (loss) from continuing operations									**14,931**
Gain (loss) on disposal/result related to loss of control over subordinated entities								-294	**-294**
Share in profit of associate								37	**37**
Profit (loss) attributable to non-controlling interests								-319	**-319**
Net profit/(loss) for period									**14,355**

PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–September 30th 2012, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 3,823 thousand.

Item	30.09.2012	Dec 31 2011	30.09.2011
Tangible assets	48,416	51,427	51,729
Tangible assets under construction	1,436	1,552	4,169
Prepayments for tangible assets under construction			
Property, plant and equipment	**49,852**	**52,979**	**55,898**

IMPAIRMENT LOSSES ON ASSETS

Impairment losses	30.09.2012	Dec 31 2011	30.09.2011
Trade receivables	2,609	2,561	1,826
Equity interests	1,937	1,088	656
Tangible assets	-	-	486
Loans	407		
Inventories	2,586	1,737	1,691

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

In Q3 2012, the SECO/WARWICK Group did not pay or declare any dividend.

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. adopted Resolution No. 20 concerning distribution of profit for the period from January 1st to December 31st 2011. The entire net profit earned by SECO/WARWICK S.A. of Świebodzin in the financial year 2011, that is PLN 4,169,370.80 (four million, one hundred and sixty-nine thousand, three hundred and seventy złoty, 80/100), was transferred to statutory reserve funds.

INVESTMENT COMMITMENTS

As at September 30th 2012, the Group had investment commitments concerning property, plant and equipment in the amount of PLN 122 thousand. These amounts were used to purchase new plant and equipment.

OFF-BALANCE SHEET CONSOLIDATED ITEMS

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

	as at Sep 30 2012	as at Dec 31 2011	as at Sep 30 2011
Contingent receivables	**421**	**639**	**96**
from related entities			
from other entities (including)	421	639	96
- guarantees and sureties	421	639	96
Contingent liabilities	**74,963**	**72,686**	**57,265**
from related entities	12,259	6,855	4,886
from other entities (including)	62,703	65,831	52,379
- guarantees and sureties	62,703	65,831	52,379

SURETIES ADVANCED BY SECO/WARWICK S.A.

Company	Bank	Surety in respect of	Currency	30.09.2012	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	13,601
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,178
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000	79,450
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500	11,123
Hart-Tech	BOŚ Bank	Conditional surety	PLN	2,000	2,000
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800	5,720
TOTAL					**115,072**

Company	Bank	Surety in respect of	Currency	Dec 31 2011	*AMOUNT (PLN)*
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 INR/PLN mid-exchange rate quoted by the National Bank of Poland for the date of the resolution, is PLN 14,233 thousand.

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. At present, the principal outstading under the loan is USD 500 thousand.

On July 6th 2012, the SECO/WARWICK Management Board provided a surety for the liabilities of RETECH SYSTEMS LLC of the US (a wholly-owned subsidiary of SECO/WARWICK S.A.). The surety is to secure repayment of credit facilities which are to be granted to RETECH SYSTEMS LLC by HSBC BANK USA, N.A. The surety was provided for up to USD 3,500,000 (three million, five hundred thousand US dollar) and up to USD 25,000,000 (twenty five million US dollar) and secures repayment of the principal amount with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.

A PLN 2,000 thousand surety was issued by SECO/WARWICK S.A. to secure repayment of a loan 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.

On June 19th 2012 the Company's Management Board adopted a resolution to issue a surety for liabilities of SECO/WARWICK Corp. (USA). The surety is to secure credit facilities granted to SECO/WARWICK Corp. by HSBC BANK USA, N.A. The surety was provided for up to USD 1,800,000 (one million, eight hundred thousand US dollars) and covers the repayment of principal with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.

RESTRUCTURING PROVISIONS

In the period from January 1st–September 30th 2012, the SECO/WARWICK Group did not recognise 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 Q3 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.

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

The operations of the SECO/WARWICK Group. are not exposed to any significant seasonality or cyclicality

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 2012 or changes in estimates disclosed in previous financial years if they have a material bearing on Q3 2012

In the business activities of SECO/WARWICK S.A. and the SECO/WARWICK Group, there occurred no changes in the estimates disclosed in the year to date or previous financial years that would, due to their type or amount, have a material bearing on the results of Q3 2012.

Issue, redemption and repayment of debt and equity securities

No debt or equity securities were issued, redeemed or repurchased in Q3 2012.

Earnings per share

	30.09.2012	30.09.2011
Weighted average number of shares	10,476,210	10,476,210
Earnings attributable to owners of the parent	22,732	14,355
Earnings per share	2.17	1.37
Diluted earnings per share	2.17	1.37

Material events subsequent to the end of Q3 2012, not disclosed in the financial statements for Q3 2012 but potentially having a material bearing on future performance of the SECO/WARWICK Group

In Current Report No. 26/2012 of October 23rd 2012, the Management Board of SECO/WARWICK S.A. published a notice of the Extraordinary General Shareholders Meeting to be held on November 28th 2012.

In Current Report No. 27/2012 of October 23rd 2012, the Management Board of SECO/WARWICK S.A. published draft resolutions, with grounds thereto, to be considered by the Extraordinary General Shareholders Meeting of SECO/WARWICK S.A. convened for November 28th 2012. An independent auditor's opinion on the audit of the valuation of an organised part of business (OPB) was also attached to the Current Report.

In Current Report No. 28/2012 of October 23rd 2012, the Management Board of SECO/WARWICK S.A. published the key objectives under the Group's new growth strategy until 2016.

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. or the SECO/WARWICK Group.

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 period under review, a new subsidiary was registered in Russia. Construction and assembly work on a plant located near Moscow in under way. SECO/WARWICK S.A holds 50% of the shares in the company, while a Russian partner holds a non-controlling interest.

As part of continuing implementation of the Group's strategy, SECO/WARWICK ThermAL S.A. was renamed as SECO/WARWICK EUROPE S.A. on October 19th 2012.

In Q3 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 Q3 2012 statements.

The SECO/WARWICK Management Board did not publish any forecasts for 2012 concerning the Company's or the Group's financial performance.

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

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Meeting as at August 24th 2012 and October 29th 2012.

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at the General Meeting
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.

From the publication date of the H1 2012 report to the date of this report (October 29th 2012), no changes occurred in significant shareholdings in the Issuer.

4. SECO/WARWICK shares held by members of the Management Board and Supervisory Board as at the date of release of this report, including information on any changes subsequent to the publication of the H1 2012 report.

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

	Aug 24 2012				29.10.2012			
	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Decrease/increase	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Total par value of shares (PLN)
Management Board								
Paweł Wyrzykowski	13,541	0.13%	0.13%	0	13,541	0.13%	0.13%	2,708
Wojciech Modrzyk	400	0.004%	0.004%	0	400	0.004%	0.004%	80
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
Supervisory Board	,				,			,
Andrzej Zawistowski (1)	307,100	2.93%	2.93%	0	307,100	2.93%	2.93%	61,420
Henryk Pilarski	100	0.001%	0.001%	0	100	0.001%	0.001%	20
Jeffrey Boswell	229,633	2.19%	2.19%	0	229,633	2.19%	2.19%	45,927

James A.Goltz (2)	-	-	-	-	-	-	-	-
Piotr Kowalewski	-	-	-	-	-	-	-	-
Piotr Kula (4)	8,500	0.08%	0.08%	0	8,500	0.08%	0.08%	1,700
Mariusz Czaplicki	-	-	-	-	-	-	-	-
Artur Rusiecki (3)	-	-	-	-	-	-	-	-
Commercial proxies								
Dorota Subsar	-	-	-	-	-	-	-	-
Total	675,474	6.45%	6.45%	0	675,474	6.45%	6.45%	135,095

Item	**290.10.2012**
Number of shares	10,476,210
Par value of shares	0.2
Share capital	2,095,242.00

(1) On May 25th 2012, in Current Report No. 14/2012, the SECO/WARWICK Management Board reported on Mr Andrzej Zawistowski's resignation as Vice-President of the Company's Management Board.

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 40 appointed Mr Andrzej Zawistowski to serve as Member of the Company's Supervisory Board. See Current Report No. 17/2012.

(2) On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 34 appointed Mr James A. Goltz to serve as Member of the Company's Supervisory Board. See Current Report No. 17/2012.

(3) On May 25th 2012, in Current Report No. 15/2012, the SECO/WARWICK Management Board reported on Mr Artur Rusiecki's resignation as Member of the Company's Supervisory Board.

(4) In Current Report No. 25/2012 of September 3rd 2012, the SECO/WARWICK Management Board reported on Mr Piotr Kula's resignation as Member of the Company's Supervisory Board. The resignation followed from Mr Piotr Kula's appointment, as of September 1st 2012, as Deputy Dean of the Łódź University of Technology.

In the period under review and until the date of this report (October 29th 2012), members of the Management and Supervisory Boards of SECO/WARWICK S.A did not execute any transactions involving shares in SECO/WARWICK S.A.

5. Court, arbitration or administrative proceedings

In Q3 2012, the value of liabilities or receivables of SECO/WARWICK S.A or the Group companies disputed in any single or all pending court, arbitration or administrative proceedings did not exceed 10% of SECO/WARWICK S.A.'s equity.

6. 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 date of release of this report (October 29th 2012), SECO/WARWICK S.A. and its subsidiaries did not enter into any material transactions with related parties other than routine transactions or transactions executed on an arms' length basis.

7. Important achievements and failures of SECO/WARWICK S.A. and its Group in Q3 2012, including a list of the pertinent events

Material achievements of the SECO/WARWICK Group include:

- Considerable year-on-year improvement in sales in Q1–Q3 2012,
- Strong profitability maintained across segments,
- Incorporation of OOO SCT of Russia and continued implementation of strategic, growth-oriented projects,
- Improved economic standing of SECO/WARWICK Corporation following implementation of corrective measures,
- Order book valued at PLN 378m as at the end of September 2012,
- Approval from the PARP (Polish Agency for Enterprise Development) to co-finance a project involving vacuum furnace systems with a value of PLN 6.7m (the amount of subsidy: PLN 1.6m),
- Approval from the PARP to co-finance development and commercialisation of vacuum carburisation equipment supported by the FineCarb technology, a project worth PLN 12m (amount of subsidy: PLN 6.2m)

The Management Board is not aware of any material failures at the parent or any of its direct or indirect subsidiaries in the analysed period or in the period until publication of this report (October 29th 2012).

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

On July 6th 2012, the SECO/WARWICK Management Board provided a surety for the liabilities of RETECH SYSTEMS LLC of the US (a wholly-owned subsidiary of SECO/WARWICK S.A.). The surety is to secure repayment of credit facilities which are to be granted to RETECH SYSTEMS LLC by HSBC BANK USA, N.A. The surety was provided for up to USD 3,500,000 (three million, five hundred thousand US dollar) and up to USD 25,000,000 (twenty five million US dollar) and secures repayment of the principal amount with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.

In Q3 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 opinion of SECO/WARWICK S.A. Management Board, an important factor improving the Group's overall economic standing is strong order book of PLN 378m at the end of September 2012. The majority of the backlog is contracts with Chinese and US customers. For the most part, the contracts provide for delivery of specialist melting furnaces.

Retech Systems LLC – a subsidiary based in Ukiah, US – has signed three major contracts for the manufacture and delivery of titanium melting and refining equipment with Qinghai Supower Titanium

Co. Ltd of China (total contract value: PLN 68.8m), Titanium Metals Corporation of US (total contract value: PLN 53.7m) and China Aluminum International Engineering Corporation Limited of China (total contract value: PLN 55m).

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. adopted Resolution No. 20 concerning distribution of profit for the period January 1st – December 31st 2011. For the 2011 financial year, SECO/WARWICK S.A. of Świebodzin posted net earnings of PLN 4,169,370.80. The net earnings were transferred in full to statutory reserve funds.

On October 23rd 2012, information was published concerning a draft resolution for the Extraordinary General Shareholders Meeting concerning the disposal of an organised part of business (OPB) of SECO/WARWICK S.A. comprising tangible and intangible assets used in the manufacturing and distribution activities, liabilities related to the manufacturing and distribution activities, and the Company's employees involved in the manufacturing and distribution activities, to be effected through contribution of the OPB to a subsidiary of the SECO/WARWICK Group, i.e. SECO/WARWICK EUROPE S.A. ("Subsidiary") of Świebodzin, in exchange for shares in the increased share capital of the Subsidiary.

The adoption of the resolution concerning the disposal of the OPB of SECO/WARWICK S.A. will allow the Group to consolidate its Polish operations within a single entity, SECO/WARWICK EUROPE S.A.

The parent company (SECO/WARWICK S.A.) will focus on the strategic and financial management of the SECO/WARWICK Group. SECO/WARWICK S.A., acting as the holding company, will exercise the owner's supervision and provide strategic management services to the subsidiaries of the SECO/WARWICK Group.

This information may be relevant for the assessment of SECO/WARWICK S.A.'s ability to fulfil its obligations. As at the date of release of the Q3 2012 report, the Company's operations 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

10.1. Material events occurring in the period January 1st–September 30th 2012.

In the opinion of the Company's Management Board, the following events which occurred between January 1st 2012 and September 30th 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 SECO/WARWICK Management Board, with effect as of February 1st 2012.
- Between January 26th and February 2nd 2012, SECO/WARWICK S.A. and SECO/WARWICK ThermAL S.A., a subsidiary, executed with BRE Bank S.A. of Warsaw nine forward contracts for sale of the euro for a total amount of EUR 2,788,000 (PLN 11,708,206), two forward contracts to sell the U.S. dollars for a 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 was notified of a contract concluded between Retech Systems LLC. of Ukiah, US, its subsidiary, and Qinghai Supower Titanium Co. Ltd of China concerning the construction and delivery of titanium melting and refining equipment. The contract 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 was notified by 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.
- On April 16th 2012, the Company's Management Board was notified that its subsidiary Retech Systems LLC (US) and Titanium Metals Corporation (US) had signed a contract for the manufacture and delivery of titanium melting and refining equipment. 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).
- Between February 16th 2012 and May 18th 2012 four forward contracts to sell a total of EUR 1,455,000 (PLN 6,103,889), three forward contracts to sell a total of USD 4,210,000 (PLN 14,222,331), one forward contract to sell a total of CZK 15,600,000 (PLN 2,613,000) and a zero-cost collar comprising long PUT options and short CALL options with a total value of EUR 220,000 (PLN 930,072) were executed by SECO/WARWICK S.A. and its subsidiary SECO/WARWICK ThermAL S.A. with BRE Bank S.A. of Warsaw. The value of the forward contracts totals PLN 23,869,292. The highest-value contract was the forward contract to sell USD 1,985,000 (PLN 6,834,554) entered into by SECO/WARWICK S.A. and BRE Bank S.A. of Warsaw on May 18th 2012.
- Between February 2nd and May 18th 2012, SECO/WARWICK S.A. and SECO/WARWICK ThermAL S.A., a subsidiary, executed with Bank Zachodni WBK S.A. of Wrocław five forward contracts for the sale of the euro for a total amount of EUR 2,650,000 (PLN 11,333,345), seven zero-cost collar contracts comprising long put options and short call options with a total value of EUR 1,405,000 (PLN 5,898,608), and nine zero-cost collar contracts comprising long put options and short call options with a total value of USD 1,640,000 (PLN 5,479,262). The value of the forward contracts totals PLN 22,711,215. The forward contract to sell a total of EUR 1,100,000 (PLN 4,805,130) concluded between SECO/WARWICK ThermAL S.A. and Bank Zachodni WBK of Wrocław on May 18th 2012 was the contract with the highest value.
- On June 11th 2012 the Company's Management Board was notified that its subsidiary Retech Systems LLC of Ukiah, US, and China Aluminum International Engineering Corporation Limited of China had signed a contract for the manufacture and delivery of titanium melting and refining equipment. The contract, with a value of USD 15,862,000 (PLN 55,045,899), was executed on June 6th 2012 for a period of 25 months.
- On July 6th 2012, the SECO/WARWICK Management Board provided a surety for the liabilities of RETECH SYSTEMS LLC of the US (a wholly-owned subsidiary of SECO/WARWICK S.A.). The surety is to secure repayment of credit facilities which are to be granted to RETECH SYSTEMS LLC by HSBC BANK USA, N.A. The surety was provided for up to USD 3,500,000 (three million, five hundred thousand US dollar) and up to USD 25,000,000 (twenty five million US dollar) and secures repayment of the principal amount with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.
- On July 6th 2012, further to Current Report No. 5/2012 of February 3rd 2012, the SECO/WARWICK Management Board reported that on July 5th 2012 all conditions precedent under the contract for manufacture and delivery of equipment for melting and refining of titanium, executed between its subsidiary – Retech Systems LLC. of Ukiah, USA, and Qinghai Supower Titanium Co. Ltd of China had been fulfilled.
- Between May 22nd and August 31st 2012, SECO/WARWICK S.A. and SECO ThermAL S.A. (its subsidiary) executed with BRE Bank S.A. of Warsaw nine forward contracts to sell a total of EUR 3,780,000 (PLN 15,944,878) and one forward contract to sell a total of USD 800,000 (PLN 2,668,240). The total value of the contracts is PLN 18,613,118. The contract with the highest value is the forward contract to sell a total of EUR 1,000,000 (PLN

4,320,500) concluded between subsidiary SECO/WARWICK ThermAL S.A. and BRE Bank S.A. of Warsaw on May 22nd 2012.

- On September 3rd 2012, the Management Board of SECO/WARWICK S.A. reported that it was notified that Mr Piotr Kula resigned as Member of the Company's Supervisory Board, with effect as of September 1st 2012. The resignation followed from Mr Piotr Kula's appointment, as of September 1st 2012, as Deputy Dean of the Łódź University of Technology.

10.2. General objectives of the Incentive Scheme of SECO/WARWICK SA

With a view to providing additional incentives to the Company's management staff to continue work on the development and consolidation of the SECO/WARWICK Group, and to further increase the value of SECO/WARWICK shares, on May 28th 2012 the Annual General Meeting approved the key objectives of the 2012–2016 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2012–2016 Incentive Scheme").

Key terms of the 2012–2016 Incentive Scheme:

1. The person serving as President of the Management Board as at the date of the Resolution (**"President of the Management Board"**) and the key company employees indicated by the President of the Management Board in consultation with the Supervisory Board (jointly with the President of the Management Board - the **"Eligible Persons"**) shall be eligible for participation in the 2012–2016 Incentive Scheme. With respect to each Eligible Person other than the President of the Management Board, an a_i ratio, referred to in Par. 2.11 below, shall be determined along with the indication of the person. The list of Eligible Persons shall be prepared by the Supervisory Board in consultation with the President of the Management Board within three months from the date of the Resolution.

2. The 2012–2016 Incentive Scheme shall include up to 500,000 (five hundred thousand) of Company Series E shares (**"Series E Shares"**). The President of the Management Board shall be entitled to acquire up to 250,000 (two hundred and fifty thousand) Series E Shares, and the other Eligible Persons shall have the right to acquire up to the remaining 250,000 (two hundred and fifty thousand) Series E Shares.

3. Under the 2012–2016 Incentive Scheme, the Eligible Persons shall be entitled to acquire Series B subscription warrants (**"Series B Warrants"**) free of charge. Series B Warrants shall confer the right to acquire Series E Shares at their par value of PLN 0.20 (twenty grosz) per share.

4. One Series B Warrant shall confer the right to acquire one Series E Share.

5. The 2012–2016 Incentive Scheme shall be implemented by way of resolutions adopted by the General Meeting on conditional share capital increase by up to PLN 100,000 (one hundred thousand złoty), through an issue of up to 500,000 (five hundred thousand) Series E Shares and an issue of up to 500,000 (five hundred thousand) Series B Warrants, with full waiver of the existing shareholders' pre-emptive rights to all Series E Shares and Series B Warrants.

6. The 2012–2016 Incentive Scheme is planned to cover a period of four years starting from the date of its approval by the General Meeting. The duration of the 2012–2016 Incentive Scheme may be extended by the Supervisory Board making relevant changes in the Rules of the Incentive Scheme.

7. The number of Series B Warrants issued to the Eligible Persons shall depend on:
(i) the price of the Company shares on the Warsaw Stock Exchange ("**WSE**"), or

(ii) the price of selling, in one or more transactions (including as part of a tender offer), shares conferring the rights to at least 33% (thirty-thee per cent) of the total vote at the General Meeting, by a shareholder or shareholders acting jointly under a memorandum of understanding, agreement, arrangement, or as part of any other relationship in fact or in law, holding in aggregate, directly or indirectly, Company shares conferring the right to at least 33% (thirty-thee per cent) of the total vote at the General Meeting (“**Major Shareholder“**; the term may refer to one or more shareholders acting jointly), to a third party (other than a Major Shareholder or a related party of any of the Major Shareholders). If the shares are sold by a Major Shareholder in more than one transactions, then the number of Series B Warrants to be issued to Eligible Persons shall be calculated on the basis of the arithmetic mean of the selling prices in all the transactions, weighted by the number of the Company shares sold in a given transaction.

8. An Eligible Person shall be entitled to acquire Series B Warrants a number of times during the term of the Incentive Scheme, however, not more frequently than twice in a calendar year. The limited frequency with which the right to acquire Series B Warrants may be exercised does not apply when the exercise of the right by an Eligible Person is based on the sale of the Company shares by a Major Shareholder.

9. An Eligible Person shall be entitled to acquire Series B Warrants if:
(i) the average price of the Company shares from the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the Eligible Person is at least PLN 35 (thirty-five złoty) per share, or
(ii) a Major Shareholder decides to sell at least 33% (thirty-three per cent) of all Company shares to an entity other than a Major Shareholder or a related party of a Major Shareholder, at a price of at least PLN 35 (thirty-five złoty) per share. An Eligible Person may acquire Series B Warrants no sooner than 3 (three) months from the date of notifying the Company of its intention to acquire Series B Warrants. The Company shall procure that Series B Warrants are issued to Eligible Persons no later than within 4 (four) months following the receipt of the notification. Series B Warrants may be issued through an investment firm, acting as a custodian.

10. The maximum number of Series B Warrants which may be acquired by the President of the Management Board shall be calculated based on the following formula:

$$Q = 6.666\,P - 183.310$$

provided that:

$dla\ P < 35PLN \implies Q = 0$

$dla\ P \geq 65\ PLN \implies Q = 250.000$

where:
Q shall mean number of Series B Warrants;

P shall mean, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the President of the Management Board, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and the acquirer.

If the number of Series B Warrants which may be acquired by the President of the Management Board, determined based on the above formula, is not an integer, such number shall be rounded down to the nearest integer.

Each time the President of the Management Board exercises its right to acquire Series B Warrants, the number of Series B Warrants to which it is entitled shall be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the President of the Management Board under the 2012–2016 Incentive Scheme.

11. The maximum number of Series B Warrants which may be acquired by an Eligible Person other than the President of the Management Board shall be calculated based on the following formula:

$$Q = a_i \times (6.666\,P - 183.310)$$

provided that:

$$dla\ P < 35PLN \implies Q = 0$$
$$dla\ P \geq 65\ PLN \implies Q = a_i \times 250.000$$

where:
Q shall mean the number of Series B Warrants;

P shall mean, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the given Eligible Person, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and the acquirer.

a_i shall mean a ratio determined individually for each Eligible Person, provided that

$$a_i \in (0,1)\ oraz\ \sum_{i=1}^{m} a_i \leq 1$$

If the number of Series B Warrants which may be acquired by an Eligible Person, determined based on the above formula, is not an integer, such number shall be rounded down to the nearest integer value.

Each time an Eligible Person exercises its right to acquire Series B Warrants, the number of Series B Warrants to which it is entitled shall be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the Eligible Person under the 2012–2016 Incentive Scheme.

12. The number of Series B Warrants acquired by the particular Eligible Persons shall in no event be higher than: (i) 250,000 (two hundred and fifty thousand) in the case of Series B Warrants acquired by the President of the Management Board; and (ii) $a_i \times 250{,}000$ (two hundred and fifty thousand) in the case of an Eligible Person other than the President of the Management Board.

13. The Eligible Person who has acquired Series B Warrants under the 2012–2016 Incentive Scheme shall be entitled to acquire Series E Shares at any time, however, no later than by December 31st 2016.

11. Description of factors and events, especially of non-recurring nature, with a material bearing on the financial performance in Q3 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 Q3 2012.