THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2014

PREPARED IN ACCORDANCE WITH

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–SEPTEMBER 30TH 2014

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(PLN '000)

	Sep 30 2014	Jun 30 2014	Dec 31 2013	Sep 30 2013
ASSETS				
Non-current assets				
Property, plant and equipment	84,619	82,399	80,215	78,187
Investment property	391	394	399	401
Goodwill	86,091	81,617	78,861	82,779
Intangible assets	25,626	24,950	19,589	16,991
Investments in associates	2,875	3,006	3,404	–
Financial assets available for sale	3	3	3	3
Non-current receivables	–	2,681	1,691	1,169
Loans and receivables	503	538	–	–
Other assets	–	–	59	250
Deferred tax assets	24,868	19,744	15,851	17,311
	224,976	**215,332**	**200,071**	**197,091**
Current assets				
Inventories	35,324	27,803	32,648	35,517
Trade receivables	78,287	90,234	84,671	89,808
Income tax assets	4,262	3,023	2,566	1,668
Other current receivables	16,213	16,713	12,532	17,412
Accruals and deferred income	6,174	3,157	3,593	2,857
Financial assets at fair value through profit or loss	1,549	2,632	3,822	2,243
Loans advanced	–	–	548	–
Cash and cash equivalents	48,132	38,382	44,268	49,467
Contract settlement	116,137	98,421	98,653	114,595
	306,078	**280,364**	**283,302**	**313,568**
ASSETS HELD FOR SALE	**721**	**721**	**721**	**3,601**
TOTAL ASSETS	**531 776**	**496,417**	**484,094**	**514,260**

	Sep 30 2014	Jun 30 2014	Dec 31 2013	Sep 30 2013
EQUITY AND LIABILITIES				
Equity				
Share capital	3,704	3,704	3,693	3,682
Statutory reserve funds	216,367	216,367	199,708	199,708
Other components of equity	4,744	4,212	3,147	1,597
Retained earnings/(deficit)	37,635	29,177	48,178	57,350
Non-controlling interests	**2,654**	**3,479**	**5,442**	**7,412**
	265,104	**256,939**	**260,167**	**269,748**
Non-current liabilities				
Borrowings and other debt instruments	18,222	17,714	16,069	13,579
Financial liabilities	615	960	4,479	8,996
Other non-current liabilities	591	516	473	–
Deferred tax liabilities	22,518	22,051	20,850	26,631
Provision for retirement and similar benefits	3,781	3,767	3,331	5,114
Other provisions	434	241	822	740
Accruals and deferred income	3,956	4,018	4,143	3,549
	50,116	**49,267**	**50,166**	**58,609**
Current liabilities				
Borrowings and other debt instruments	26,501	21,559	18,050	34,579
Financial liabilities	5,576	4,747	4,165	5,330
Trade payables	67,997	60,224	56,473	51,577
Income tax payable	2,462	1,151	376	813
Taxes, customs duties and social security payable	4,644	6,117	5,340	5,699
Other current liabilities	8,063	6,611	7,165	7,455
Provision for retirement and similar benefits	5,987	4,768	8,291	7,874
Other provisions	19,023	16,649	16,292	18,589
Accruals and deferred income	7,064	6,220	2,268	3,082
Contract settlement	69,237	62,165	55,340	50 906
	216,556	**190,211**	**173,761**	**185,904**
TOTAL EQUITY AND LIABILITIES	**531 776**	**496,417**	**484,094**	**514,260**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

	Jan 1–Sep 30 2014	Jul 1–Sep 30 2014	Jan 1–Sep 30 2013	Jul 1–Sep 30 2013
Revenue from sale of finished goods	298,045	99,748	355,354	111,342
Revenue from sale of merchandise and materials	16,416	5,983	14,059	4,654
Revenue	**314,461**	**105,731**	**369,413**	**115,996**
Finished goods sold	-228,942	-78,532	-264,244	-85,561
Merchandise and materials sold	-8,247	-1,621	-9,705	-4,134
Cost of sales	**-237,189**	**-80,153**	**-273,949**	**-89,695**
Gross profit/(loss)	**77,272**	**25,578**	**95,465**	**26,301**
Other income	4,897	1,375	4,148	1,394
Distribution costs	-21,746	-7,078	-20,664	-7,185
Administrative expenses	-43,402	-12,956	-49,447	-15,797
Other expenses	-11,274	-7,867	-3,665	38
Operating profit/(loss)	**5,746**	**-948**	**25,837**	**4,751**
Finance income	3,803	31	5,206	1,281
Finance costs	-4,778	-2,190	-5,266	-1,259
Share of net profit/(loss) of associates	-480	-157	-27	
Profit/(loss) before tax	**4,291**	**-3,263**	**25,750**	**4,774**
Actual tax expense	-464	2,414	-8,668	-606
Net profit/(loss) from continuing operations	**3,826**	**-849**	**17,082**	**4,168**
Profit/(loss) from discontinued operations				
Profit/(loss) attributable to non-controlling interests	-2,009	-976	-1,204	-1,101
Net profit/(loss) for financial year	**5,835**	**126**	**18,286**	**5,269**

OTHER COMPREHENSIVE INCOME:

	Jan 1–Sep 30 2014	Jul 1–Sep 30 2014	Jan 1–Sep 30 2013	Jul 1–Sep 30 2013
Valuation of cash flow hedging derivatives	-1,440	-533	-804	2,030
Exchange differences on translating foreign operations	11,172	8,769	-6,023	-10,460
Actuarial gains/(losses) on a defined benefit retirement plan	-722	-12	319	-2
Income tax on other comprehensive income	526	105	153	-386
Other comprehensive income, net of tax	**9,536**	**8,329**	**-6,355**	**-8,817**
Total comprehensive income	**15,372**	**8,455**	**11,931**	**-3,547**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(PLN '000)

	Jan 1–Sep 30 2014	Jan 1–Sep 30 2013
OPERATING ACTIVITIES		
Profit/(loss) before tax	4,291	25,750
Adjustments for:	27,882	-23,962
Share in net profit of subordinates accounted for using the equity method	480	27
Depreciation and amortisation	5,739	5,588
Foreign exchange gains/(losses)	3,502	-2,307
Interest and profit distributions (dividends)	1,739	650
Gain/(loss) on investing activities	-3,201	-2,053
Change in provisions	-169	10,709
Change in inventories	-1,764	-2,543
Change in receivables	1,081	565
Change in current liabilities (other than financial liabilities)	13,994	5,743
Change in accruals and deferrals	4,582	-43,045
Derivatives	944	1,133
Other adjustments	955	1,571
Cash from operating activities	**32,173**	**1,788**
Income tax (paid)/recovered	-8,407	-15,364
Net cash flows from operating activities	**23,766**	**-13,576**
INVESTING ACTIVITIES		
Cash provided by financing activities	**4,329**	**2,762**
Proceeds from disposal of intangible assets and property, plant and equipment	1,668	732
Proceeds from disposals of financial assets in related entities	52	–
Other inflows from financial assets	62	–
Cash received in connection with settled derivative instruments	2,546	2,030
Cash used in financing activities	**20,778**	**11,677**
Investments in intangible assets, property, plant and equipment, and investment property	12,974	5,915
Acquisition of related entities	7,800	5,762
Purchase of financial assets in other entities	4	–
Net cash flows from investing activities	**-16,449**	**-8,915**
FINANCING ACTIVITIES		
Cash provided by financing activities	**19,327**	**27,892**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	75	484
Borrowings and other debt instruments	19,251	27,408
Cash used in financing activities	**22,892**	**11,360**

Repayment of borrowings and other debt instruments	12,548	10,335
Dividends and other distributions to owners	8,053	–
Payment of finance lease liabilities	601	249
Interest paid	1,690	776
Net cash flows from financing activities	**-3,566**	**16,532**
Total net cash flows	**3,752**	**-5,959**
Net change in cash, including:	**3,864**	**-11,707**
– effect of exchange rate fluctuations on cash held	112	-130
Cash at beginning of the period	**44,375**	**55,586**
Cash at end of the period, including:	**48,126**	**49,627**
– restricted cash	–	15,045

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

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other components of equity	Foreign exchange differences	Retained earnings/ (deficit)	Non-controlling interests	Total equity
Equity as at Jan 1 2013	**3,652**	**189,136**	**1,580**	**0**	**168**	**54,953**	**1,153**	**250,642**
Total comprehensive income for the nine months ended Sep 30 2013	–	–	-651	–	-6,023	319	–	-6,355
Transfer of previous years' profit/loss to statutory reserve funds	–	10,571	–	–	–	-10,571	–	0
Share capital increase	30	–	–	–	–	–	–	30
Management stock options	–	–	–	1,597	–	–	–	1,597
Net profit	–	–	–	–	–	18,286	–	18,286
Equity attributable to non-controlling interests in OOO SCT	–	–	–	–	–	–	422	422
Equity attributable to non-controlling interests in SECO/WARWICK Retech	–	–	–	–	–	–	-88	-88
Equity attributable to non-controlling interests in SECO/WARWICK Allied	–	–	–	–	–	-711	5,925	5,214
Equity as at Sep 30 2013	**3,682**	**199,708**	**928**	**1,597**	**-5,855**	**62,276**	**7,412**	**269,748**
Equity as at Jan 1 2013	**3,652**	**189,136**	**1,580**	**0**	**168**	**54,953**	**1,153**	**250,642**
Total comprehensive income for the twelve months ended Dec 31 2013	–	–	-256	–	-12,035	1,178	–	-11,114
Issue of shares	41	–	–	–	–	–	–	41
Management stock options	–	–	–	3,147	–	–	–	3,147
Correction of previous years' errors	–	–	–	–	–	-676	–	-676
Change of method of accounting for employee benefit plan	–	–	–	–	–	-457	–	-457
Transfer of 2012 earnings	–	10,571	–	–	–	-10,571	–	–
Net profit	–	–	–	–	–	15,221	–	15,221
Equity attributable to non-controlling interests in SECO/WARWICK Retech	–	–	–	–	–	–	-419	-419
Equity attributable to non-controlling interests in SECO/WARWICK Allied	–	–	–	–	–	-896	5,318	4,422
Equity attributable to non-controlling interests in OOO SCT	–	–	–	–	–	-30	-610	-640
Equity as at Dec 31 2013	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**5,441**	**260,167**

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other components of equity	Foreign exchange differences	Retained earnings/(deficit)	Non-controlling interests	Total equity
Equity as at Jan 1 2014	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**5,441**	**260,167**
Total comprehensive income for the nine months ended Sep 30 2014	–	–	-1,166	–	11,172	-469	–	9,537
Issue of shares	12	–	–	–	–	–	–	12
Profit distribution (dividend)	–	–	–	–	–	-8,053	–	-8,053
Transfer of previous years' profit/loss to statutory reserve funds	–	16,659	–	–	–	-16,659	–	–
Management stock options	–	–	–	1,597	–	–	–	1,597
Correction of previous years' errors	–	–	–	–	–	-35	–	-35
Net profit	–	–	–	–	–	5,835	–	5,835
Equity attributable to non-controlling interests in SECO/WARWICK Retech	–	–	–	–	–	–	-322	-322
Equity attributable to non-controlling interests in SECO/WARWICK Allied	–	–	–	–	–	-1,168	-2,466	-3,634
Equity as at Sep 30 2014	**3,704**	**216,367**	**158**	**4,744**	**-695**	**38,172**	**2,654**	**265,104**

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2014

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION
(PLN '000)

	Sep 30 2014	Jun 30 2014	Dec 31 2013	Sep 30 2013
ASSETS				
Non-current assets				
Property, plant and equipment	2,019	2,158	2,446	2,490
Investment property	–	–	–	
Intangible assets	10,294	12,221	11,404	11,422
Investments in subsidiary, jointly-controlled and associated entities	193,503	193,539	188,901	185,861
Deferred tax assets	2,676	2,692	2,330	2,771
	208,492	**210,610**	**205,081**	**202,544**
Current assets				
Inventories	–	–	–	2,112
Trade receivables	17,567	11,398	8,725	4,481
Income tax assets	–	–	–	
Other current receivables	75	4,244	1,771	4,489
Accruals and deferred income	164	140	224	416
Financial assets at fair value through profit or loss	–	–	–	–
Loans and receivables	3,789	4,665	4,220	3,658
Cash and cash equivalents	5,520	3,871	10,288	4,830
Contract settlement	–	–	–	2
	27,115	**24,318**	**25,228**	**19,989**
ASSETS HELD FOR SALE	**361**	**361**	**361**	**361**
TOTAL ASSETS	**235,968**	**235,288**	**230,670**	**222,894**

	Sep 30 2014	Jun 30 2014	Dec 31 2013	Sep 30 2013
EQUITY AND LIABILITIES				
Equity				
Share capital	3,704	3,704	3,693	3,682
Statutory reserve funds	178,072	178,072	171,219	171,219
Other components of equity	4,744	4,212	3,147	1,597
Retained earnings/(deficit)	21,888	21,323	17,808	8,425
	208,409	**207,311**	**195,867**	**184,923**
Non-current liabilities				
Borrowings and other debt instruments	6,136	6,533	8,162	9,346
Financial liabilities	17	362	3,981	4,084
Deferred tax liabilities	1,686	1,974	2,510	2,380
Provision for retirement and similar benefits	–	–	–	–
Accruals and deferred income	3,956	4,018	4,143	3,549
	11,796	**12,887**	**18,796**	**19,358**
Current liabilities				
Borrowings and other debt instruments	3,733	3,450	3,410	7,332
Financial liabilities	4,547	4,410	3,952	4,172
Trade payables	3,328	3,112	2,800	3,920
Loans received	–	915	–	–
Income tax payable	1,612	1,118	3,210	–
Other current liabilities	1,526	1,067	1,629	1,101
Provision for retirement and similar benefits	1,017	1,017	687	1,736
Other provisions	–	–	319	33
Accruals and deferred income	–	–	–	319
	15,763	**15,089**	**16,007**	**18,612**
TOTAL EQUITY AND LIABILITIES	**235 968**	**235,288**	**230,670**	**222,894**

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

	Jan 1–Sep 30 2014	For the period Jul 1–Sep 30 2014	Jan 1–Sep 30 2013	For the period Jul 1–Sep 30 2013
Revenue from sale of finished goods	16,539	2,210	7,440	2,798
Revenue from sale of merchandise and materials	–	–	365	–
Revenue	**16,539**	**2,210**	**7,805**	**2,798**
Finished goods sold	-15,576	-1,885	-7,185	-2,620
Merchandise and materials sold	–	–	-365	
Cost of sales	**-15,576**	**-1,885**	**-7,550**	**-2,620**
Gross profit/(loss)	**964**	**325**	**255**	**178**
Other income	2,048	1,863	1,164	62
Distribution costs	–	–	–	–
Administrative expenses	-3,671	-1,373	-9,658	-2,725
Other expenses	-37	54	-401	-1
Operating profit/(loss)	**-697**	**869**	**-8,640**	**-2,486**
Finance income	22,078	42	13,861	1,318
Finance costs	-1,498	-124	-246	-123
Profit/(loss) before tax	**19,883**	**788**	**4,975**	**-1,291**
Actual tax expense	-896	-222	548	878
Net profit/(loss) from continuing operations	18,987	566	5,523	-414
Net profit/(loss) for financial year	**18,987**	**566**	**5,523**	**-414**

OTHER COMPREHENSIVE INCOME:

Valuation of cash flow hedging derivatives	–	–	–	–
Income tax on other comprehensive income	–	–	–	–
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income	**18,987**	**566**	**5,523**	**-414**

INTERIM SEPARATE STATEMENT OF CASH FLOWS
(PLN '000)

	Jan 1–Sep 30 2014	Jan 1–Sep 30 2013
OPERATING ACTIVITIES		
Profit/(loss) before tax	**19,883**	**4,975**
Adjustments for:	**-25,982**	**-9,068**
Depreciation and amortisation	1,041	983
Foreign exchange gains/(losses)	2,414	-325
Interest and profit distributions (dividends)	-21,230	-11,835
Gain/(loss) on investing activities	-1,849	-9
Change in provisions	-1,299	-141
Change in inventories	–	–
Change in receivables	-7,146	903
Change in current liabilities (other than financial liabilities)	936	-413
Change in accruals and deferrals	-445	171
Derivatives	–	–
Other adjustments	1,597	1,597
Cash from operating activities	**-6,099**	**-4,093**
Income tax (paid)/recovered	-2,067	–
Net cash flows from operating activities	**-8,166**	**-4,093**
INVESTING ACTIVITIES		
Cash provided by financing activities	**25,091**	**12,068**
Proceeds from disposal of intangible assets and property, plant and equipment	3,746	53
Decrease in non-current loans advanced	–	–
Dividends and profit distributions received	21,294	12,015
Interest income	51	–
Cash used in financing activities	**10,358**	**39,343**
Investments in intangible assets, property, plant and equipment, and investment property	1,400	388
Acquisition of related entities	8,958	37,912
Increase in loans advanced	–	1,043
Cash paid in connection with derivative instruments	–	–
Net cash flows from investing activities	**14,734**	**-27,275**
FINANCING ACTIVITIES		
Cash provided by financing activities	**12**	**13,135**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	12	30
Borrowings and other debt instruments	–	13,105
Cash used in financing activities	**11,398**	**1,177**
Repayment of borrowings and other debt instruments	2,628	831
Dividends and other distributions to owners	8,053	–
Payment of finance lease liabilities	509	102
Interest paid	208	245
Net cash flows from financing activities	**-11,387**	**11,958**
Total net cash flows	**-4,819**	**-19,410**
Net change in cash, including:	**-4,769**	**-19,419**
– effect of exchange rate fluctuations on cash held	51	8
Cash at beginning of the period	**10,309**	**24,274**
Cash at end of the period	**5,490**	**4,864**

SEPARATE STATEMENT OF CHANGES IN EQUITY
(PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Retained earnings/(deficit)	Non-controlling interests	Total equity
Nine months ended September 30th 2013							
Equity as at Jan 1 2013	**3,652**	**165,531**	**1,333**	**0**	**8,591**	**0**	**179,106**
Total comprehensive income for the nine months ended Jun 30 2013	–	–	–	–	5,523	–	**5,523**
Share capital increase	30	–	–	–	–	–	**30**
Management stock options	–	–	–	1,597	–	–	**1,597**
Disposal of organised part of business	–	–	-1,333	–	–	–	**-1,333**
Distribution of profit	–	5,689	–	–	-5,689	–	**0**
Equity as at Sep 30 2013	**3,682**	**171,219**	**0**	**1,597**	**8,425**	**0**	**184,923**
Twelve months ended December 31st 2013							
Equity as at Jan 1 2013	**3,652**	**165,531**	**1,333**	–	**8,591**	–	**179,106**
Total comprehensive income for the twelve months ended Dec 31 2013	–	–	–	–	14,906	–	**14,906**
Share capital increase	41	–	–	–	–	–	**41**
Management stock options	–	–	–	3,147	–	–	**3,147**
Disposal of organised part of business	–	–	-1,333	–	–	–	**-1,333**
Distribution of profit	–	5,688	–	–	- 5,688	–	–
Equity as at Dec 31 2013	**3,693**	**171,219**	–	**3,147**	**17,809**	**–**	**195,867**
Nine months ended September 30th 2014							
Equity as at Jan 1 2014	**3,693**	**171,219**	–	**3,147**	**17,809**	–	**195,867**
Total comprehensive income for the nine months ended Sep 30 2014	–	–	–	–	18,987	–	**18,987**
Dividends	–	-8,053	–	–	–	–	**-8,053**
Share capital increase	12	–	–	–	–	–	**12**
Management stock options	–	–	–	1,597	–	–	**1,597**
Distribution of profit	–	14,906	–	–	-14,906	–	–
Equity as at Sep 30 2014	**3,704**	**178,072**	–	**4,744**	**21,888**	–	**208,409**

SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30TH 2014

I. General information

Information on the SECO/WARWICK Group

The parent of the SECO/WARWICK Group ("the SECO/WARWICK Group", "the Group") is SECO/WARWICK Spółka Akcyjna of Świebodzin ("the Company"). The Company was incorporated on January 2nd 2007 by virtue of the decision issued by District Court for Zielona Góra, 8th Commercial Division of the National Court Register, and entered in the Register of Entrepreneurs of the National Court Register under No. KRS 0000271014.

The SECO/WARWICK Group's operations are divided into five core 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), and
- equipment used for melting and vacuum casting of metals and specialty alloys (Melting).

SECO/WARWICK S.A. is the parent of the following companies:

- SECO/WARWICK EUROPE Sp. z o.o.,
- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,
- SECO/WARWICK GmbH,
- SECO/WARWICK Service GmbH,
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India,
- SECO/WARWICK do Brasil Ind. de Fornos Ltda.

The Group has one associate company:

- OOO SCT (Solnechnogorsk) Russia, in which the Parent holds a 50% interest, conferring the right to 50% of the total vote at the General Meeting of the company.

Other Group companies are:

- SECO/WARWICK of Delaware Inc.,
- Retech Tianjin Holdings LLC.

Details of the companies listed above are provided in the table below.

Table: As at September 30th 2014, the structure of the SECO/WARWICK Group was as follows:

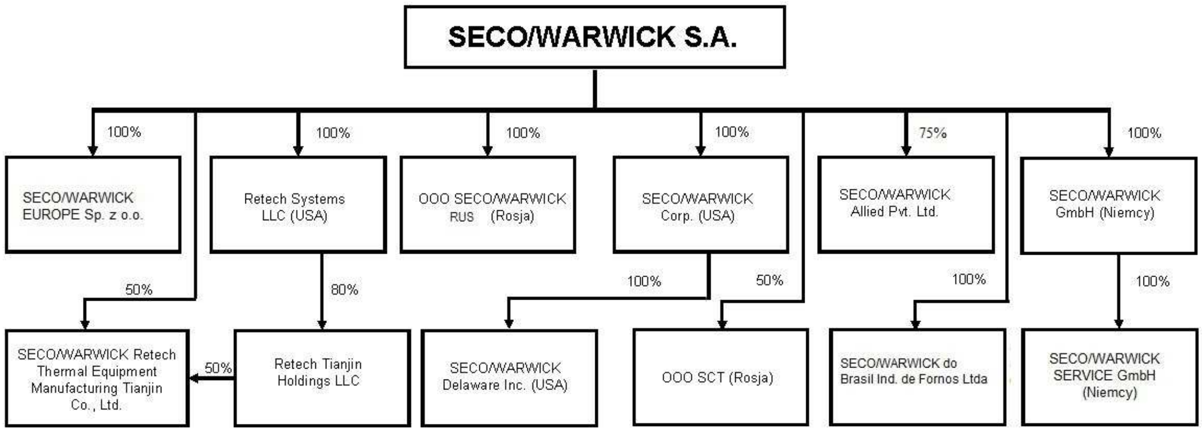
Company	Registered office	Business profile	Method of consolidation / accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin	Manufacture of vacuum furnaces, aluminium heat exchanger brazing systems and aluminium heat treatment systems	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK EUROPE Sp. z o.o.	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.	Wilmington (USA)	A holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	Full	100%
SECO/WARWICK Rus	Moscow (Russia)	Distribution of the SECO/WARWICK Group's products	Full	100%
Retech Systems LLC	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.	Tianjin (China)	Manufacture of metal heat treatment equipment	Full	90%
Retech Tianjin Holdings LLC	(USA)	A holding company.	Full	80%
SECO/WARWICK Allied Pvt. Ltd. (1)	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	75%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces and spare parts manufactured by SECO/WARWICK EUROPE Sp. z o.o., and provision of technical support to customers in Germany, Austria, the Netherlands, Switzerland, Liechtenstein and Slovenia	Full	100%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	Equity	50%
SECO/WARWICK Service GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany	Full	100%
SECO/WARWICK do Brasil Ltda. (Engefor Engenharia Indústria e Comércio Ltda)	Jundiaí (Brazil)	Manufacture of metal heat treatment equipment	Full	100%

(1) On June 4th 2014, conditions precedent for the acquisition of 9,122 Sale Shares were fulfilled. Following the acquisition, the Company holds 82,014 shares, representing 75.0% of the company's share capital.

Composition of the SECO/WARWICK Group as at the date of publication of this Report

After September 30th 2014 and until the issue of these financial statements, there were no changes in the composition of the SECO/WARWICK Group.

SECO/WARWICK Group's structure as at September 30th 2014:



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

These consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value, as well as liabilities under the pension plan operated by a subsidiary and a management stock option plan.

These financial statements are presented in the złoty ("PLN"), and unless specified otherwise, all amounts are given in thousands of PLN.

Presentation of financial statements

Presentation of the statement of financial position

In accordance with IAS 1 Presentation of Financial Statements, assets and liabilities are presented in the 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

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 measured at cost, which comprises the purchase price of an asset, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

To assess whether an internally generated intangible asset meets the criteria for recognition, the entity classifies the generation of the asset into:

– research phase,
– development phase.

All expenditure incurred in the first phase is charged directly to expenses of the period.

Intangible assets 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 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 any 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	Software
Useful life	5–10 years	5–15 years
Amortisation method	Amortised over agreement term using straight-line method	Amortised using straight-line method
Origin	Acquired	Acquired
Impairment testing/measuring recoverable amount	Annual impairment testing	Annual impairment testing

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 lives of given assets, which are as follows:

Buildings and structures	from 10 to 40 years
Machinery 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 are recognised in the statement of financial position and depreciated in accordance with the same policies as those applied to other non-current assets.

Non-current assets held under finance leases and liabilities corresponding to those assets were initially recognised at amounts equal to the discounted value of future lease payments. Lease payments made in the reporting period were charged to finance lease liabilities in an amount equal to the principal, and the excess (finance charge) was charged in full to finance costs of the period.

Any gains and losses arising on sale or liquidation of an asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are recognised in profit or loss.

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 any impairment losses. Tangible assets under construction are not depreciated or amortised.

Investment property

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

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

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

Financial assets and liabilities

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

Financial liabilities include borrowings and other debt instruments, other types of financing, overdraft facilities, financial liabilities at fair value through profit or loss, hedging derivatives, trade payables, liabilities to suppliers of property, plant and equipment, 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 attributable 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. Where discounting is used, the amount of receivables increases to reflect the passage of time. The increase 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.

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 borrowings

Liabilities under 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 attributable to the 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

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;

b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income;

c) a hedge of a net investment in a foreign operation as defined in IAS 21.

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

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and 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 the weighted average cost formula. Any downward adjustment of the value of inventories to the net selling price is made through recognition of write-downs. 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, the write-down is reversed.

Write-downs of inventories and stocktaking discrepancies are charged to cost of sales.

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 that it is probable that the assets will be realised and that future taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed as at each reporting date. Any previously unrecognised deferred tax assets are recognised to the extent that it is probable that there will be future taxable income available 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 by the end of the reporting period.

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 expenditures required to settle a provision are expected to be reimbursed, for instance under an insurance policy, the reimbursement is recognised as a separate asset, but only if it is virtually certain that the reimbursement will be received.

The cost related to a given provision is disclosed 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. Where discounting is used, the amount of a provision increases to reflect the passage of time. The increase is recognised as finance cost.

The estimates of outcome and financial effect are determined by the judgement of the management, supplemented by experience of similar transactions and, in some cases, reports from independent experts.

Provisions are reviewed at the end of each reporting period 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 recognises the following provisions:

- provision for warranty repairs – on the basis of the historical cost of warranty repairs;
- provision for accrued holiday entitlements – 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 cost of sales, distribution costs or administrative expenses;
- provision for a defined benefit plan. Fixed contributions are paid to a separate entity (a fund), as a consequence of which the actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) are borne by the Group.

Assumptions underlying the estimates and the provision amounts are reviewed as at the end of each reporting period.

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 Company by its trading 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 end of the reporting period 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 changes in the carrying amounts of monetary assets and liabilities expressed in foreign currencies, are recognised in profit or loss, 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. Therefore, the estimates made as at December 31st 2013 may change in the future.

Depreciation/amortisation charges

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

Depreciation/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 accrued holidays

Provision for accrued 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

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

Provision for warranty repairs

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

Long-term contracts

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

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

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 settle commercial contracts related to the Group's principal operating activities 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 Company 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 trading partners not yet invoiced.

The revenue as at the end of the reporting period is determined based on the percentage of completion of the contract, net of any revenue which affected the financial result in previous reporting periods. Estimated contract revenue attributable to the given reporting period is recognised as revenue from sale of finished goods for the period, and disclosed under assets in the statement of financial position as receivables under settlement of long-term contracts.

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

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

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

Subjective judgement

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

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

Subjective judgements as at September 30th 2014 were made with respect to contingent liabilities and provisions for claims.

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 2013, save for the following amendments to standards and interpretations effective for periods beginning on January 1st 2014.
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 end of the reporting period.

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:

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IFRS 10 Consolidated Financial Statements (May 12th 2011)	IFRS 10 Consolidated Financial Statements will replace IAS 27 Consolidated and Separate Financial Statements and supersede interpretation SIC 12 Consolidation – Special Purpose Entities. Under IFRS 10, an entity may be consolidated only if it is controlled, irrespective of the nature of the investee, which disapplies the risk and rewards method presented in SIC 12. According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements: – power over the investee, – exposure, or rights, to variable returns from involvement with the investee, – the ability to use its power over the investee to affect the amount of the investor's returns. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. Such assessment is revised if there are any reasons to conclude that at least one of the above control conditions has changed. IFRS 10 stipulates detailed guidelines on determining control in various situations, including with respect to agency relations and potential voting rights. If facts or circumstances change, an investor must re-assess its ability to control an investee. IFRS 10 replaces the IAS 27 provisions concerning time and manner of preparation of consolidated financial statements by an investor and disapplies interpretation SIC 12 in full.	January 1st 2014
IFRS 11 Joint Arrangements (May 12th 2011)	The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 classifies joint arrangements as a joint operation (combination of the existing concepts of jointly controlled assets and jointly controlled operations) or as a joint venture (corresponding to the existing concept of jointly controlled entities). – A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. – A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires that a joint venturer account for its interest in a joint venture using only the equity method, thus disapplying the proportional consolidation method. A party to a joint arrangement determines the type of joint arrangement in which it is involved by considering its rights and obligations. Existence of a separate legal entity is no longer the basic condition of classification.	January 1st 2014
IFRS 12 Disclosure of Interests in Other Entities (May 12th 2011)	An entity should disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements. IFRS 12 determines the disclosure objectives and the minimum scope of disclosure required to satisfy those objectives. An entity should disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements. Disclosure requirements are extensive.	January 1st 2014
IAS 27 Separate Financial Statements (May 12th 2011)	The accounting and disclosure requirements for investments in subsidiaries, associates and joint ventures did not change with respect to separate financial statements and fall within the scope of the revised IAS 27. Other requirements contained in IAS 27 have been replaced with the requirements laid down in IFRS 10.	January 1st 2014
IAS 28 Investments in Associates and Joint Ventures (May 12th 2011)	The standard has been modified so as to ensure consistency with IFRS 10 and IFRS 11. The rules for accounting for investments in associates using the equity method have not been changed. In line with IFRS 11, the guidelines for equity method accounting apply also to joint ventures (the proportional consolidation method has been disapplied).	January 1st 2014
Offsetting Financial Assets and Financial Liabilities (amendment to IAS 32 of December 16th 2011)	The amendment clarifies the rules for offsetting financial assets and liabilities. IAS 32 prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.	January 1st 2014

Standards and Interpretations adopted by the IASB, but not yet endorsed by the EU:

a) IFRS 9 Financial Instruments (of November 12th 2009, with subsequent amendments to IFRS 9 and IFRS 7 of December 16th 2011)

The new standard replaces the guidance contained in IAS 39 Financial Instruments: Recognition and Measurement, regarding classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. Financial assets will be classified into one of two categories on initial recognition:
– financial assets measured at amortised cost, or
– financial assets at fair value.
A financial asset is measured at amortised cost if both of the following conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss for the reporting period, except for an investment in an equity instrument which is not held for trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). Such election is irrevocable. The election is available on an individual instrument-by-instrument basis. No amount recognised in OCI may be ever reclassified to profit or loss at a later date.

b) Amendments to IAS 19 Employee Benefits – Employee contributions, effective for reporting periods beginning on or after July 1st 2014.

The proposals provide that contributions from employees or third parties that are linked solely to the employee's service rendered in the same period in which they are paid, may be treated as a reduction in the service cost and accounted for in that same period.
Other employee contributions would be attributed to periods of service in the same way as the gross benefits under the scheme.

a) Annual Improvements to IFRSs (2010–2012 Cycle), effective for reporting periods beginning on or after July 1st 2014.

b) Annual Improvements to IFRSs (2011–2013 Cycle), effective for reporting periods beginning on or after July 1st 2014.

c) IFRIC 21: Levies (May 20th 2013), effective for reporting periods beginning on or after January 1st 2014.

The interpretation relates to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. One of the criteria for the recognition of a liability under IAS 37 is the requirement for a present obligation to have arisen as a result of a past event (obligating event).
The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy imposed by the government is an activity that triggers the payment of the levy in accordance with applicable legislation. The interpretation does not apply to fines and penalties imposed for breach of law and levies that are within the scope of other IFRS/IAS (e.g. IAS 12 Income Taxes).

The Management Board of the Parent 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.

III. 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	Sep 30 2014	Dec 31 2013	Sep 30 2013
Average exchange rate for the period*	4.1803	4.2110	4.2231
Exchange rate effective for the last day of the period	4.1755	4.1472	4.2163

* 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:

Key consolidated financial data

Item	Q1–Q3 cumulative Jan 1–Sep 30		Q1–Q3 cumulative Jan 1–Sep 30	
	2014	2013	2014	2013
	(PLN '000)		(EUR '000)	
Revenue	314,461	369,413	75,224	87,474
Cost of sales	-237,189	-273,949	-56,739	-64,869
Operating profit/(loss)	5,746	25,837	1,375	6,118
Profit/(loss) before tax	4,291	25,750	1,026	6,097
Net profit/(loss)	5,835	18,286	1,396	4,330
Net cash flows from operating activities	23,766	-13,576	5,685	-3,215
Net cash flows from investing activities	-16,449	-8,915	-3,935	-2,111
Net cash flows from financing activities	-3,566	16,532	-853	3,915
	Sep 30 2014	**Dec 31 2013**	**Sep 30 2014**	**Dec 31 2013**
Total assets	531,776	484,094	127,356	116,728
Total liabilities	266,672	223,927	63,866	53,995
including current liabilities	216,556	173,761	51,863	41,898
Equity	265,104	260,167	63,490	62,733
Share capital	3,704	3,693	887	890

The table below presents key items of the separate statement of financial position, statement of comprehensive income and statement of cash flows presented in the separate financial statements, together with the relevant comparative data, translated into the euro:

Separate financial highlights

Item	Q1–Q3 cumulative Jan 1–Sep 30		Q1–Q3 cumulative Jan 1–Sep 30	
	2014	2013	2014	2013
	(PLN '000)		(EUR '000)	
Revenue	16,539	7,805	3,956	1,848
Cost of sales	-15,576	-7,550	-3,726	-1,788
Operating profit/(loss)	-697	-8,640	-167	-2,046
Profit/(loss) before tax	19,883	4,975	4,756	1,178
Net profit/(loss)	18,987	5,523	4,542	1,308
Net cash flows from operating activities	-8,166	-4,093	-1,954	-969
Net cash flows from investing activities	14,734	-27,275	3,525	-6,459
Net cash flows from financing activities	-11,387	11,958	-2,724	2,832
	Sep 30 2014	**Dec 31 2013**	**Sep 30 2014**	**Dec 31 2013**
Total assets	235,968	230,670	56,448	55,621
Total liabilities	27,559	34,803	6,593	8,392
including current liabilities	15,763	16,007	3,771	3,860
Equity	208,409	195,867	49,855	47,229
Share capital	3,704	3,693	886	890

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30TH 2014

Selected supplementary information

As provided for under IAS 18, revenue from sale 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.

Sales revenue and total revenue and income of the Group:

Item	Q3 2014	Q3 2013
Sale of finished goods	298,045	355,354
Sales of merchandise and materials	16,416	14,059
TOTAL sales revenue	**314,461**	**369,413**
Other income	4,897	4,148
Finance income	3,803	5,206
TOTAL revenue and income	**323,161**	**378,767**

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 in Jan 1–Sep 30 2013

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**78,348**	**37,736**	**60,109**	**25,135**	**130,394**	**331,722**		**37,691**	**369,413**
Total segment expenses	**-50,924**	**-27,710**	**-47,065**	**-21,670**	**-98,577**	**-245,946**		**-28,003**	**-273,949**
Administrative expenses	–	–	–	–	–	–	–	-49,447	**-49,447**
Distribution costs	–	–	–	–	–	–	–	-20,664	**-20,664**
Operating income	–	–	–	–	–	–	–	4,148	**4,148**
Operating expenses	–	–	–	–	–	–	–	-3,665	**-3,665**
Segment profit/(loss) on operating activities	–	–	–	–	–	–	–	**–**	**25,837**
Finance income	–	–	–	–	–	–	–	5,206	**5,206**
Finance costs	–	–	–	–	–	–	–	-5,266	**-5,266**
Share in profit of associate	–	–	–	–	–	–	–	-27	**-27**
Profit/(loss) before tax	–	–	–	–	–	–	–		**25,750**
Actual tax expense	–	–	–	–	–	–	–	-8,668	**-8,668**
Net profit/(loss) from continuing operations	–	–	–	–	–	–	–		**17,082**
Profit/(loss) attributable to non-controlling interests	–	–	–	–	–	–	–	1,204	**1,204**
Net profit/(loss) for period	–	–	–	–	–	–	–		**18,286**

Revenue and net profit/loss of operating segments in Jan 1–Sep 30 2014

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**72,867**	**29,719**	**77,526**	**23,515**	**61,644**	**265,271**	–	**49,190**	**314,461**
Total segment expenses	**-51,124**	**-20,562**	**-62,451**	**-19,625**	**-52,065**	**-205,827**	–	**-31,362**	**-237,189**
Administrative expenses	–	–	–	–	–	–	–	-43,402	**-43,402**
Distribution costs	–	–	–	–	–	–	–	-21,746	**-21,746**
Operating income	–	–	–	–	–	–	–	4,897	**4,897**
Operating expenses	–	–	–	–	–	–	–	-11,274	**-11,274**
Segment profit/(loss) on operating activities	–	–	–	–	–	–	–	–	**5,746**
Finance income	–	–	–	–	–	–	–	3,803	**3,803**
Finance costs	–	–	–	–	–	–	–	-4,778	**-4,778**
Share in profit of associate	–	–	–	–	–	–	–	-480	**-480**
Profit/(loss) before tax	–	–	–	–	–	–	–	–	**4,291**
Actual tax expense	–	–	–	–	–	–	–	-464	**-464**
Net profit/(loss) from continuing operations	–	–	–	–	–	–	–	–	**3,826**
Profit/(loss) attributable to non-controlling interests	–	–	–	–	–	–	–	-2,009	**-2,009**
Net profit/(loss) for period	–	–	–	–	–	–	–	–	**5,835**

PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–September 30th 2014, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 12,974 thousand.

Item	Sep 30 2014	Dec 31 2013	Sep 30 2013
Tangible assets	77,296	76,739	76,634
Tangible assets under construction	7,322	3,476	1,553
Prepayments for tangible assets under construction	–	–	–
Property, plant and equipment	**84,619**	**80,215**	**78,187**

IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Sep 30 2014	Dec 31 2013	Sep 30 2013
Trade receivables	11,515	3,656	3,685
Equity interests	2,308	2,308	2,318
Loans	821	821	821
Inventories	2,935	2,672	2,180

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

In Q3 2014, the SECO/WARWICK Group did not pay or declare any dividend.

On May 30th 2014, the Annual General Meeting of SECO/WARWICK S.A. passed Resolution No. 19 on allocation of profit for the period from January 1st to December 31st 2013. Under the resolution, PLN 8,053,377.75 was allocated for payment of dividend to shareholders. The dividend per share was PLN 0.75. The dividend record date and dividend payment date were set for June 16th 2014 and July 1st 2014, respectively.

On March 31st 2014, the Company received a dividend of PLN 9,095,400.00 from its wholly-owned subsidiary Retech Systems LLC.

On May 27th 2014, the Annual General Meeting of SECO/WARWICK EUROPE Sp. z o.o. resolved to distribute the company's net profit of PLN 22,198,843.38 as dividend. In 2013, the Company received an interim dividend of PLN 10,000,000. On June 26th 2014, a portion of the final dividend of PLN 8,000,000 was paid to the Company, and on July 18th 2014 the Company received the balance of PLN 4,198,843.38.

INVESTMENT COMMITMENTS

As at September 30th 2014, SECO/WARWICK S.A. had an investment commitment related to the purchase of shares in Engefor Engenharia Indústria e Comércio Ltda of Sao Paulo, in the amount of BRL 3,000,000. This liability is to be settled by May 24th 2015.

PRESENTATION ADJUSTMENTS

In order to ensure data comparability, the following presentation adjustments were made, which had no effect on profit or loss for the period January 1st–September 30th 2013:

a) adjustment to the consolidated statement of comprehensive income for the period January 1st–September 30th 2013 related to costs being incorrectly deducted as cost of sales instead of administrative expenses and distribution costs:

	Before adjustment	After adjustment
Finished goods sold	-271,169	-264,244
Merchandise and materials sold	-9,705	-5,571
Cost of sales	**-280,874**	**-273,949**
Gross profit/(loss)	**88,539**	**95,464**
Distribution costs	-18,942	-20,664
Administrative expenses	-44 243	-49 447

b) adjustment to a note on revenue and profit/loss of the operating segments for the period January 1st–September 30th 2013, made to reflect a change in the presentation of the segments in the Company's management accounts, whereby the Aftersales segment was separated from the other operating segments to be presented under unallocated items:

Before adjustment

Item	Continuing operations						Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*		
Total segment revenue	83,846	40,820	70,882	25,917	138,560	360,024	9,389	369,413
Total segment expenses	-55,275	-28,993	-55,389	-21,900	-104,174	-265,730	-8,219	-273,949

After adjustment

Item	Continuing operations						Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*		
Total segment revenue	78,348	37,736	60,109	25,135	130,394	331,722	37,691	369,413
Total segment expenses	-50,924	-27,710	-47,065	-21,670	-98,577	-245,946	-28,003	-273,949

OFF-BALANCE SHEET CONSOLIDATED ITEMS

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 70,773 thousand as at September 30th 2014, and to PLN 75,509 thousand as at the end of 2013. The guarantees were issued in respect of:

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

SURETIES ADVANCED BY SECO/WARWICK S.A.

Company	Bank	Surety in respect of	Currency	Sep 30 2014	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	258,200	13,824
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	82,433
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	5,500*	18,135
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800	5,935
TOTAL					**120,327**

* The amount drawn by Retech Systems under the available credit facilities as at September 30th 2014 was USD 1,200 thousand.

Company	Bank	Surety in respect of	Currency	Dec 31 2013	AMOUNT (PLN)
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	258,200	12,589
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	75,300
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500*	10,542
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800**	5,422
TOTAL					**103,853**

* The amount drawn by Retech Systems under the available credit facilities as at December 31st 2013 was USD 5,726 thousand.
** The amount drawn by S/W Corporation under the available credit facilities as at December 31st 2013 was USD 700 thousand.

RESTRUCTURING PROVISIONS

In the period from January 1st to September 30th 2014, the SECO/WARWICK Group did not recognise any provisions for restructuring costs.

SETTLEMENTS RELATED TO COURT CASES

There are no proceedings pending before central or local government administration bodies, court proceedings or arbitration proceedings which could have a material effect on the financial standing or profitability (exceeding 10% of equity) of the Group.

Consistency of the accounting policies and computation methods applied in the preparation of the interim report for Q3 2014

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. 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 of the Group have been prepared in accordance with International Accounting Standard (IAS) 34.

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

In its operations, the SECO/WARWICK Group is not exposed to any significant seasonal or cyclical fluctuations.

Types and amounts of items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows, which are extraordinary 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 2014 or changes in estimates disclosed in previous financial years if they have a material bearing on Q3 2014

In the business activities of SECO/WARWICK S.A. and the SECO/WARWICK Group, there were no changes in estimates disclosed in the preceding interim periods of 2014 and the preceding financial years, that would, due to their type or amount, have a material bearing on the results of Q3 2014.

Issue, redemption and repayment of debt and equity securities

On January 20th 2014, 57,640 (fifty-seven thousand, six hundred and forty) Series E ordinary bearer shares in the Company ("Series E Shares") were acquired, as reported by the Company in Current Report No. 2/2014.

The Series E Shares were acquired under the Incentive Scheme for management staff of the SECO/WARWICK Group for the years 2012–2016, approved by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012 ("2012–

2016 Incentive Scheme"), on the basis of which the Company issued Series B subscription warrants ("Series B Warrants") entitling their holders to acquire Series E Shares.

Earnings per share

Item	Sep 30 2014	Sep 30 2013
Net profit from continuing operations attributable to shareholders	5,835	18,286
Loss from discontinued operations attributable to shareholders		
Net profit attributable to owners of the parent	5,835	18,286
Interest on redeemable preference shares convertible into ordinary shares	–	–
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	**5,835**	**18,286**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,733,614	10,487,143
Earnings per share	**0.54**	**1.74**
Dilutive effect:		
Number of potential subscription warrants	238,373	350,761
Number of potential shares issued at market price	3,236	2,234
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,968,752	10,835,671
Diluted earnings per share	**0.53**	**1.69**

Material events subsequent to the end of Q3 2014, not disclosed in the financial statements for Q3 2014 but potentially having a material bearing on future performance of the SECO/WARWICK Group

No such events occurred.

Other supplementary information

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

On June 4th 2014, conditions precedent for the purchase of 9,122 sale shares of SECO/WARWICK Allied Pvt. Ltd (Mumbai, India) and payment of the third instalment of the selling price were fulfilled. Following acquisition of the 9,122 sale shares, the Company holds 82,014 shares, representing 75.0% of the company's share capital and carrying the right to 75.0% of the total votes at its General Meeting.

In Q3 2014, there were no other changes in the SECO/WARWICK Group's structure which would include mergers, acquisitions or disposals of Group entities, long-term investments, demergers, restructuring or discontinuation of operations.

2. Management Board's position on the feasibility of meeting any previously published forecasts for 2014 in light of the results presented in the Q3 2014 report

The SECO/WARWICK Management Board did not publish any forecasts for 2014 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 publication date of this report, including information on any changes subsequent to the release of the previous interim report (H1 2014)

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the issue date of the previous report, i.e. September 1st 2014

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Poland Holding B.V. (Netherlands)	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,419,294	13.22%	1,419,294	13.22%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	7.91%	849,698	7.91%
Bleauhard Holdings LLC	743,456	6.92%	743,456	6.92%
ING NN OFE	600,000	5.59%	600,000	5.59%
AMPLICO	577,470	5.38%	577,470	5.38%

The data presented in the table is based on notifications received from the shareholders.

From the date of issue of the H1 2014 report until the date of issue of the Q3 2014 report, there were no changes in the ownership of major holdings of Company shares.

4. SECO/WARWICK S.A. shares held by members of the Management Board and Supervisory Board as at the date of issue of this report, including information on any changes subsequent to the issue date of the previous interim report (H1 2014 report).

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

	Sep 1 2014				Nov 14 2014			
	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	154,558	1.44%	1.44%	–	154,558	1.44%	1.44%	30,912
Wojciech Modrzyk	25,958	0.24%	0.24%	–	25,958	0.24%	0.24%	5,192
Jarosław Talerzak	25,558	0.24%	0.24%	–	25,558	0.24%	0.24%	5,112
Supervisory Board				–				
Henryk Pilarski	100	0.0009%	0.0009%	–	100	0.0009%	0.0009%	20
Jeffrey Boswell	9,776	0.09%	0.09%	–	9,776	0.09%	0.09%	1,955
Commercial proxies				–				
Piotr Walasek	15,335	0.14%	0.14%	–	15,335	0.14%	0.14%	3,067
Total	231,285	2.15%	2.15%	–	231,285	2.15%	2.15%	46,257

Item	Sep 1 2014
Number of shares	10,737,837
Par value of shares	0.20
Share capital	2,147,567.40

In the reporting period and until November 14th 2014, members of SECO/WARWICK S.A.'s Management Board and Supervisory Board did not enter into any other transactions that would involve their holdings of Company shares.

5. Court, arbitration and administrative proceedings

In Q3 2014, 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 publication date of this report (November 14th 2014), SECO/WARWICK S.A. and its subsidiaries did not enter into any material transactions with related parties other than routine transactions executed on an arms' length basis.

7. Material achievements and failures of SECO/WARWICK S.A. and the Group in Q3 2014, including a list of the pertinent events

In Q1–Q3 2014, sales were down 15% year on year, mainly on the back of lower new order volumes in the Melting Furnaces segment, which caused the segment's revenue to decline 53%. Lower sales were also reported in the CAB segment (-21%) and, to a lesser degree, in the Vacuum and Aluminium Process segments (-7% and -6% respectively). In contrast, a strong sales growth of 29% was delivered by the Atmosphere Furnaces segment, which became the Group's largest segment (25%). Equally noteworthy is a 31% sales increase in the Aftersales segment, which is presented under unallocated items of the operating segments. This change is an effect of the Management Board's strategy to place more focus on aftersales support and seek new revenue sources by providing overhaul and upgrade services for the existing equipment and sale of spare parts.

Among the key reasons behind lower sales were macroeconomic factors – a sharp slowdown of the Chinese economy and the political uncertainty in Brazil and India, where a majority of investment projects were either suspended or postponed due to general elections scheduled for 2014.

Against this backdrop, the Group companies managed to secure orders with an aggregate value of PLN 294m, a level similar to that reported in the corresponding period of the previous year. As at the end of September 2014, the order book value stood at PLN 276m.

The Management Board is not aware of any material failures at the Parent or any of its direct or indirect subsidiaries occurring in the reporting period or before the issue date of this report (November 14th 2014).

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

In Q3 2014, there were no 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 Q3 2014, a number of projects were launched to provide additional support to the Group's companies in China, India and Brazil. The overall objective of these projects is to bring the companies to a break-even position in 2015 and to ensure that their performance gradually improves in the following years. The key elements of the projects include efforts designed to increase sales, as well as cost and process optimisation measures.

A cost savings plan has been implemented at the SECO/WARWICK Group. Under the plan, which is subject to strict supervision of the Group's management and covers all Group companies, 40 cost items were analysed. The total savings potential for 2014 was initially estimated at PLN 9m, with the savings goal set for PLN 6m, but was later revised to PLN 11m. The cost savings are not directly reflected in the Group's profit or loss due to price reductions on equipment offered to customers from time to time. As an effect of the savings plan, the Group's headcount decreased by 8% relative to the previous reporting period, chiefly in the administrative department.

On October 30th 2014, the Extraordinary General Meeting resolved to approve a buyback of up to 1.5m shares (up to 13.97% of the share capital) at a price of not less than PLN 10 and not more than PLN 27.50, for a total amount of not more than PLN 41.75m. The buyback is to be financed from operating cash flows and bank borrowings.

Under the Graftech Programme, SECO/WARWICK has launched Poland's first device enabling epitaxial graphene growth on metals at the Institute of Electronic Materials Technology (ITME) in Warsaw. Following the initial start-up stage, the ITME produced its first 500 x 500mm graphene sheets.

As at the issue date of the Q3 2014 report, the Company's and the Group'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 2014

In the opinion of the Company's Management Board, the following events which occurred between January 1st and September 30th 2014 will affect the Group's performance in the next quarter, or in a longer term.

Indian market – increased equity interest in SECO/WARWICK Allied

In Current Report No. 24/2014, related to Current Report No. 4/2013 of March 22nd 2013, the Management Board of SECO/WARWICK S.A. announced that on June 4th 2014 conditions precedent were fulfilled for the purchase of 9,122 Sale Shares and payment of the third instalment of the Selling Price of INR 53,722,480 (PLN 2,760,261, translated at the mid-exchange rate quoted by the National Bank of Poland for June 4th 2014), as defined in the agreement for purchase of shares in SECO/WARWICK Allied Private Limited of Maharashtra, India ("SWAPL"), made between the Company and SWAPL shareholders.

Following the acquisition of 9,122 Sale Shares, the Company will hold 82,014 shares, representing 75.0% of the SWAPL's share capital and carrying the right to 75.0% of the total votes at the General Meeting of SWAPL.

10.2. General terms and objectives of the Incentive Scheme of SECO/WARWICK S.A.

To read key terms and objectives of the 2012–2016 Incentive Scheme, visit www.secowarwick.com.

11. Description of factors and events, especially of a non-recurring nature, with a material bearing on the financial performance in Q3 2014

In the SECO/WARWICK Group's operations, there were no factors or events, especially of a non-recurring nature, that would have a material bearing on its financial performance in Q3 2014.