# THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD JANUARY 1ST–DECEMBER 31ST 2014
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS

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# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2014

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (PLN '000)

| | Dec 31 2014 | Sep 30 2014 | Dec 31 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 87,498 | 84,619 | 80,215 |
| Investment property | 389 | 391 | 399 |
| Goodwill | 83,692 | 86,091 | 78,861 |
| Intangible assets | 26,474 | 25,626 | 19,589 |
| Investments in associates | 2,292 | 2,875 | 3,404 |
| Financial assets available for sale | 3 | 3 | 3 |
| Non-current receivables | 1,240 | - | 1,691 |
| Loans and receivables | 361 | 503 | - |
| Other assets | 106 | - | 59 |
| Deferred tax assets | 21,185 | 24,868 | 15,851 |
| | **223,240** | **224,976** | **200,071** |
| **Current assets** | | | |
| Inventories | 36,685 | 35,324 | 32,648 |
| Trade receivables | 72,862 | 78,287 | 84,671 |
| Income tax assets | 2,219 | 4,262 | 2,566 |
| Other current receivables | 14,596 | 16,213 | 12,532 |
| Accruals and deferred income | 4,061 | 6,174 | 3,593 |
| Financial assets at fair value through profit or loss | 1,425 | 1,549 | 3,822 |
| Loans and receivables | - | - | 548 |
| Cash and cash equivalents | 52,402 | 48,132 | 44,268 |
| Contract settlement | 113,367 | 116,137 | 98,653 |
| | **297,617** | **306,078** | **283,302** |
| **ASSETS HELD FOR SALE** | **-** | **721** | **721** |
| **TOTAL ASSETS** | **520,857** | **531,776** | **484,094** |

| | Dec 31 2014 | Sep 30 2014 | Dec 31 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 3,704 | 3,704 | 3,693 |
| Statutory reserve funds | 174,617 | 216,367 | 199,708 |
| Capital reserves | 41,750 | - | - |
| Other components of equity | 4,983 | 4,744 | 3,147 |
| Retained earnings/(deficit) | 37,840 | 37,635 | 48,178 |
| **Non-controlling interests** | **2,284** | **2,654** | **5,442** |
| | **265,177** | **265,104** | **260,167** |
| **Non-current liabilities** | | | |
| Borrowings and other debt instruments | 15,316 | 18,222 | 16,069 |
| Financial liabilities | 1,501 | 615 | 4,479 |
| Other non-current liabilities | 464 | 591 | 473 |
| Deferred tax liabilities | 19,798 | 22,518 | 20,850 |
| Provision for retirement and similar benefits | 5,334 | 3,781 | 3,331 |
| Other provisions | 1,368 | 434 | 822 |
| Accruals and deferred income | 4,474 | 3,956 | 4,143 |
| | **48,255** | **50,116** | **50,166** |
| **Current liabilities** | | | |
| Borrowings and other debt instruments | 29,580 | 26,501 | 18,050 |
| Financial liabilities | 7,213 | 5,576 | 4,165 |
| Trade payables | 62,913 | 67,997 | 56,473 |
| Income tax payable | 1,253 | 2,462 | 376 |
| Taxes, customs duties and social security payable | 4,991 | 4,644 | 5,340 |
| Other current liabilities | 10,970 | 8,063 | 7,165 |
| Provision for retirement and similar benefits | 5,603 | 5,987 | 8,291 |
| Other provisions | 12,889 | 19,023 | 16,292 |
| Accruals and deferred income | 7,718 | 7,064 | 2,268 |
| Contract settlement | 64,295 | 69,237 | 55,340 |
| | **207,425** | **216,556** | **173,761** |
| **TOTAL EQUITY AND LIABILITIES** | **520,857** | **531,776** | **484,094** |

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PLN '000)**

| | For the period Jan 1–Dec 31 2014 | For the period Oct 1–Dec 31 2014 | For the period Jan 1–Dec 31 2013 | For the period Oct 1–Dec 31 2013 |
|---|---|---|---|---|
| Revenue from sale of finished goods | 414,886 | 116,841 | 469,360 | 114,006 |
| Revenue from sale of merchandise and materials | 21,420 | 5,004 | 18,614 | 4,555 |
| **Revenue** | **436,305** | **121,845** | **487,974** | **118,561** |
| Finished goods sold | -321,337 | -92,396 | -361,626 | -97,383 |
| Merchandise and materials sold | -12,394 | -4,148 | -12,448 | -2,743 |
| **Cost of sales** | **-333,732** | **-96,543** | **-374,074** | **-100,125** |
| **Gross profit/(loss)** | **102,574** | **25,302** | **113,900** | **18,435** |
| Other income | 5,764 | 867 | 4,302 | 154 |
| Distribution costs | -30,593 | -8,847 | -30,071 | -9,406 |
| Administrative expenses | -57,888 | -14,486 | -65,057 | -15,611 |
| Other expenses | -10,834 | 440 | -6,254 | -2,589 |
| **Operating profit/(loss)** | **9,023** | **3,277** | **16,819** | **-9,018** |
| Impairment loss on goodwill | -7,000 | -7,000 | - | - |
| Finance income | 5,813 | 2,010 | 5,080 | -126 |
| Finance costs | -6,825 | -2,047 | -2,688 | 2,578 |
| Share of net profit/(loss) of associates | -483 | -3 | -567 | -540 |
| **Profit/(loss) before tax** | **528** | **-3,763** | **18,645** | **-7,105** |
| Actual tax expense | -2,884 | -2,419 | -5,273 | 3,395 |
| **Net profit/(loss) from continuing operations** | **-2,356** | **-6,182** | **13,372** | **-3,710** |
| Profit/(loss) attributable to non-controlling interests | -2,446 | -437 | -1,849 | -645 |
| **Net profit/(loss) for financial year** | **90** | **-5,745** | **15,221** | **-3,065** |

**OTHER COMPREHENSIVE INCOME:**

| | | | | |
|---|---|---|---|---|
| Valuation of cash flow hedging derivatives | -1,986 | -547 | -316 | 488 |
| Exchange differences on translating foreign operations | 19,419 | 8,247 | -12,035 | -6,012 |
| Actuarial gains/(losses) on a defined benefit retirement plan | -3,574 | -2,852 | 1,812 | 1,493 |
| Income tax on other comprehensive income | 1,628 | 1,102 | -574 | -727 |
| **Other comprehensive income, net of tax** | **15,487** | **5,950** | **-11,114** | **-4,759** |
| **Total comprehensive income** | **15,577** | **205** | **4,107** | **-7,824** |

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (PLN '000)

| | For the period Jan 1–Dec 31 2014 | For the period Jan 1–Dec 31 2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit/(loss) before tax | **528** | **18,645** |
| Adjustments for: | **36,638** | **9,328** |
| Share in net profit of subordinates accounted for using the equity method | 483 | 567 |
| Depreciation and amortisation | 7,794 | 7,926 |
| Foreign exchange gains/(losses) | 5,291 | -5,949 |
| Interest paid | 2,501 | 1,782 |
| Gain/(loss) on investing activities | 2,003 | -3,481 |
| Change in provisions | -3,660 | -195 |
| Change in inventories | -2,423 | 8,063 |
| Change in receivables | 17,558 | 1,208 |
| Change in current liabilities (other than financial liabilities) | 7,610 | 9,141 |
| Change in accruals and deferrals | 21 | 11,201 |
| Derivatives | 495 | -23,177 |
| Other adjustments | -1,034 | 2,911 |
| **Cash from operating activities** | **37,166** | **28,643** |
| Income tax (paid)/recovered | -6,915 | -19,129 |
| **Net cash flows from operating activities** | **30,251** | **9,514** |
| **INVESTING ACTIVITIES** | | |
| **Cash provided by financing activities** | **6,700** | **1,283** |
| Proceeds from disposal of intangible assets and property, plant and equipment | 1,866 | 1,207 |
| Proceeds from disposals of financial assets in related entities | 1,589 | - |
| Proceeds from disposals of financial assets | 2 | - |
| Other inflows from financial assets | 600 | 71 |
| Cash received in connection with derivative instruments | 2,643 | - |
| **Cash used in financing activities** | **24,840** | **22,828** |
| Investments in intangible assets, property, plant and equipment, and investment property | 17,175 | 12,861 |
| Acquisition of related entities | 7,665 | 9,967 |
| Acquisition of financial assets | - | - |
| **Net cash flows from investing activities** | **-18,140** | **-21,545** |

| | | |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| **Cash provided by financing activities** | **35,495** | **19,370** |
| Net proceeds from issue of shares or other equity instruments and additional contributions to equity | 12 | 41 |
| Borrowings and other debt instruments | 35,476 | 19,329 |
| Other cash provided by financing activities | 7 | - |
| **Cash used in financing activities** | **39,596** | **18,550** |
| Dividends and other distributions to owners | 8,053 | - |
| Repayment of borrowings and other debt instruments | 28,748 | 15,721 |
| Payment of finance lease liabilities | 485 | 448 |
| Interest paid | 2,310 | 2,381 |
| **Net cash flows from financing activities** | **-4,101** | **820** |
| **Total net cash flows** | **8,010** | **-11,211** |
| **Net change in cash, including:** | **8,134** | **-11,169** |
| - effect of exchange rate fluctuations on cash held | 124 | -77 |
| **Cash at beginning of the period** | **44,375** | **55,586** |
| **Cash at end of the period, including:** | **52,385** | **44,375** |
| - restricted cash | 6,556 | 10,239 |

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

| | Share capital | Statutory reserve funds | Capital reserve from revaluation of derivatives | Other Non-controlling | Capital reserves | Foreign exchange differences | Retained earnings/(deficit) | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at Jan 1 2013** | **3,652** | **189,136** | **1,580** | **-** | **-** | **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** |
| **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 twelve months ended Dec 31 2014 | - | - | -1,609 | - | - | 19,419 | -2,323 | - | **15,487** |
| Issue of shares | 12 | - | - | - | - | - | - | - | **12** |
| Share buy-back | - | -41,750 | - | - | 41,750 | - | - | - | **-** |
| Management stock options | - | - | - | 1,836 | - | - | - | - | **1,836** |
| Transfer of previous years' profit/loss to statutory reserve funds | - | 16,659 | - | - | - | - | -16,659 | - | **-** |
| Net profit | - | - | - | - | - | - | 90 | - | **90** |
| Profit distribution (dividend) | - | - | - | - | - | - | -8,053 | - | **-8,053** |
| Equity attributable to non-controlling interests in SECO/WARWICK Retech | - | - | - | - | - | - | - | -382 | **-382** |
| Equity attributable to non-controlling interests in SECO/WARWICK Allied | - | - | - | - | - | - | -1,203 | -2,776 | **-3,979** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at Dec 31 2014** | **3,704** | **174,617** | **-285** | **4,983** | **41,750** | **7,552** | **30,573** | **2,284** | **265,177** |

# INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2014

## INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (PLN '000)

| | Dec 31 2014 | Sep 30 2014 | Dec 31 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 1,829 | 2,019 | 2,446 |
| Intangible assets | 11,006 | 10,294 | 11,404 |
| Investments in subsidiary, jointly-controlled and associated entities | 180,731 | 193,503 | 188,901 |
| Deferred tax assets | 4,927 | 2,676 | 2,330 |
| | **198,493** | **208,492** | **205,081** |
| **Current assets** | | | |
| Trade receivables | 12,080 | 17,567 | 8,725 |
| Other current receivables | 150 | 75 | 1,771 |
| Accruals and deferred income | 122 | 164 | 224 |
| Loans and receivables | 3,901 | 3,789 | 4,220 |
| Cash and cash equivalents | 9,474 | 5,520 | 10,288 |
| | **25,727** | **27,115** | **25,228** |
| **ASSETS HELD FOR SALE** | **-** | **361** | **361** |
| **TOTAL ASSETS** | **224,220** | **235,968** | **230,670** |

| | Dec 31 2014 | Sep 30 2014 | Dec 31 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 3,704 | 3,704 | 3,693 |
| Statutory reserve funds | 136,322 | 178,072 | 171,219 |
| Capital reserves | 41,750 | - | - |
| Other components of equity | 4,983 | 4,744 | 3,147 |
| Retained earnings/(deficit) | 10,267 | 21,888 | 17,808 |
| | **197,026** | **208,409** | **195,867** |
| **Non-current liabilities** | | | |
| Borrowings and other debt instruments | 5,534 | 6,136 | 8,162 |
| Financial liabilities | 17 | 17 | 3,981 |
| Deferred tax liabilities | 1,635 | 1,686 | 2,510 |
| Accruals and deferred income | 4,474 | 3,956 | 4,143 |
| | **11,661** | **11,796** | **18,796** |
| **Current liabilities** | | | |
| Borrowings and other debt instruments | 3,970 | 3,733 | 3,410 |
| Financial liabilities | 4,303 | 4,547 | 3,952 |
| Trade payables | 4,251 | 3,328 | 2,800 |
| Income tax payable | 1,215 | 1,612 | 3,210 |
| Other current liabilities | 748 | 1,526 | 1,629 |
| Provision for retirement and similar benefits | 1,047 | 1,017 | 687 |
| Other provisions | - | - | 319 |
| | **15,533** | **15,763** | **16,007** |
| **TOTAL EQUITY AND LIABILITIES** | **224,220** | **235,968** | **230,670** |

**INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (PLN '000)**

| | For the period Jan 1–Dec 31 2014 | For the period Oct 1–Dec 31 2014 | For the period Jan 1–Dec 31 2013 | For the period Oct 1–Dec 31 2013 |
|---|---|---|---|---|
| Revenue from sale of finished goods | 19,511 | 2,972 | 14,188 | 6,748 |
| Revenue from sale of merchandise and materials | - | - | 365 | - |
| **Revenue** | **19,511** | **2,972** | **14,553** | **6,748** |
| Finished goods sold | -18,119 | -2,543 | -13,373 | -6,188 |
| Merchandise and materials sold | - | - | -365 | - |
| **Cost of sales** | **-18,119** | **-2,543** | **-13,738** | **-6,188** |
| **Gross profit/(loss)** | **1,392** | **429** | **815** | **560** |
| Other income | 2,405 | 357 | 837 | -327 |
| Distribution costs | - | - | - | - |
| Administrative expenses | -4,690 | -1,019 | -10,615 | -957 |
| Other expenses | -1,491 | -1,454 | -347 | 54 |
| **Operating profit/(loss)** | **-2,384** | **-1,687** | **-9,310** | **-670** |
| Finance income | 22,611 | 533 | 24,917 | 11,056 |
| Finance costs | -1,695 | -12,828 | -677 | -431 |
| Impairment loss on investment | -12,631 | - | - | - |
| **Profit/(loss) before tax** | **5,901** | **-13,982** | **14,930** | **9,955** |
| Actual tax expense | 1,464 | 2,360 | -24 | -572 |
| Net profit/(loss) from continuing operations | 7,365 | -11,622 | 14,906 | 9,383 |
| **Net profit/(loss) for financial year** | **7,365** | **-11,622** | **14,906** | **9,383** |

**OTHER COMPREHENSIVE INCOME:**

| | | | | |
|---|---|---|---|---|
| Valuation of cash flow hedging derivatives | - | - | - | - |
| Income tax on other comprehensive income | - | - | - | - |
| Other comprehensive income, net of tax | - | - | - | - |
| **Total comprehensive income** | **7,365** | **-11,622** | **14,906** | **9,383** |

INTERIM SEPARATE STATEMENT OF CASH FLOWS (PLN '000)

| | For the period Jan 1–Dec 31 2014 | For the period Jan 1–Dec 31 2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit/(loss) before tax | **5,901** | **14,930** |
| Adjustments for: | **-7,822** | **-15,099** |
| Depreciation and amortisation | 1,346 | 1,321 |
| Foreign exchange gains/(losses) | 2,995 | -716 |
| Interest and profit distributions (dividends) | -21,212 | -21,804 |
| Gain/(loss) on investing activities | 10,764 | -9 |
| Change in provisions | -1,270 | 407 |
| Change in inventories | - | 2,112 |
| Change in receivables | -1,735 | -582 |
| Change in current liabilities (other than financial liabilities) | -1,022 | 256 |
| Change in accruals and deferrals | 115 | 769 |
| Other adjustments | 2,196 | 3,147 |
| **Cash from operating activities** | **-1,921** | **-168** |
| Income tax (paid)/recovered | -794 | - |
| **Net cash flows from operating activities** | **-2,715** | **-168** |
| **INVESTING ACTIVITIES** | | |
| **Cash provided by financing activities** | **25,107** | **22,068** |
| Proceeds from disposal of intangible assets and property, plant and equipment | 3,813 | 53 |
| Dividends and profit distributions received | 21,294 | 22,015 |
| **Cash used in financing activities** | **11,221** | **43,043** |
| Investments in intangible assets, property, plant and equipment, and investment property | 2,337 | 384 |
| Acquisition of related entities | 8,884 | 41,048 |
| Increase in loans advanced | - | 1,610 |
| **Net cash flows from investing activities** | **13,886** | **-20,975** |
| **FINANCING ACTIVITIES** | | |
| **Cash provided by financing activities** | **12** | **13,146** |
| Net proceeds from issue of shares or other equity instruments and additional contributions to equity | 12 | 41 |
| Borrowings and other debt instruments | - | 13,105 |
| **Cash used in financing activities** | **11,977** | **5,968** |
| Repayment of borrowings and other debt instruments | 3,597 | 5,481 |
| Dividends and other distributions to owners | 8,053 | - |
| Payment of finance lease liabilities | 118 | 138 |
| Interest paid | 208 | 349 |
| **Net cash flows from financing activities** | **-11,965** | **7,178** |
| **Total net cash flows** | **-794** | **-13,965** |
| **Net change in cash, including:** | **-815** | **-13,960** |
| - effect of exchange rate fluctuations on cash held | -21 | 5 |
| **Cash at beginning of the period** | **10,309** | **24,274** |
| **Cash at end of the period** | **9,515** | **10,309** |

**INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)**

| | Share capital | Statutory reserve funds | Hedging reserve | Other components of equity | Capital reserves | Retained earnings/(deficit) | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **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** |
| **Equity as at Jan 1 2014** | **3,693** | **171,219** | **-** | **3,147** | **-** | **17,809** | **-** | **195,867** |
| Total comprehensive income for the twelve months ended Dec 31 2014 | - | - | - | - | - | 7,365 | - | **7,365** |
| Share buy-back | - | -41,750 | - | - | 41,750 | - | - | **-** |
| Management stock options | 12 | - | - | 1,836 | - | - | - | **1,847** |
| Dividend paid | - | -8,053 | - | - | - | - | - | **-8,053** |
| Distribution of profit | - | 14,906 | - | - | - | -14,906 | - | **-** |
| **Equity as at Dec 31 2014** | **3,704** | **136,322** | **-** | **4,983** | **41,750** | **10,267** | **-** | **197,026** |

# SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED ONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31ST 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 December 31st 2014, the structure of the SECO/WARWICK Group was as follows:**

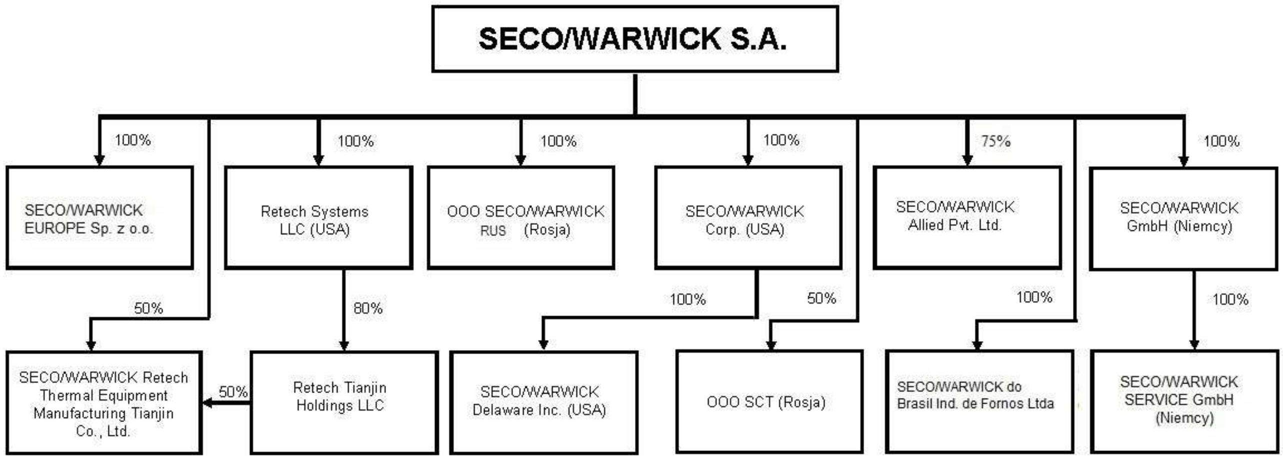
| Company | Registered office | Business profile | Method of consolidation / accounting for equity interest | Group's ownership interest |
|---|---|---|---|---|
| **Parent** | | | | |
| SECO/WARWICK S.A. | Świebodzin | Manufacture of vacuum furnaces, aluminium heat exchanger brazing systems and aluminium 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. | 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% |

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

After December 31st 2014 and until the publication of this Report, there were no changes in the composition of the SECO/WARWICK Group.

**Organisation of the Group:**




**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 2014 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 December 31st 2014 were made with respect to contingent liabilities and provisions for claims.

**Changes in accounting policies**

In the period covered by the consolidated financial statements, the Group adopted all the new and amended standards and interpretations issued by the International Accounting Standards Board and the Interpretations Committee and endorsed by the European Union (EU), which apply to the Group's business and are effective for annual reporting periods beginning on or after January 1st 2014.

- IFRS 10 Consolidated Financial Statements, endorsed by the European Commission (EC) on December 11th 2012,
- IFRS 11 Joint Arrangements, endorsed by the EC on December 11th 2012,
- IFRS 12 Disclosure of Interests in Other Entities, endorsed by the EC on December 11th 2012,
- IAS 27 (as amended in 2011) Separate Financial Statements, endorsed by the EC on December 11th 2012,
- IAS 28 (as amended in 2011) Investments in Associates and Joint Ventures, endorsed by the EC on December 11th 2012,
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, endorsed by the EC on December 13th 2012,
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements − Investment Entities, endorsed by the EC on November 20th 2013,
- Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets, endorsed by the EC on December 19th 2013,
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, endorsed by the EC on December 19th 2013,

- IFRIC 21 Levies, endorsed by the EC on June 13th 2014.

The application of the above regulations has not caused any material changes in the accounting policies of the Company/Group or in the presentation of data in their financial statements.

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 9 Financial Instruments | IFRS 9 Financial Instruments, published by the International Accounting Standards Board (IASB) on July 24th 2014, is effective for annual periods beginning on or after January 1st 2018. IFRS 9 introduces an approach to the classification and measurement of financial assets which is based on the business model used for managing the assets and on cash flow characteristics. IFRS 9 also introduces a new impairment model that will require more timely recognition of expected credit losses, and will result in a single impairment approach being applied to all financial instruments. IFRS 9 also introduces an improved hedge accounting model, to align the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. | January 1st 2018 |
| IFRS 14 Regulatory Deferral Accounts | IFRS 14 Regulatory Deferral Accounts, published by the IASB on January 30th 2014, is effective for annual periods beginning on or after January 1st 2016. IFRS 14 is an interim standard for first-time adopters of IFRS. The standard is a temporary measure pending the completion by the IASB of its comprehensive rate-regulated activities (RRA) project. | January 1st 2016 |
| IFRS 15 Revenue from Contracts with Customers | IFRS 15 Revenue from Contracts with Customers, published by the IASB on May 28th 2014, is effective for annual periods beginning on or after January 1st 2017. IFRS 15 specifies how and when IFRS reporters should recognise revenue and requires them to provide more informative disclosures. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and many interpretations on revenue recognition. | January 1st 2017 |
| Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures | Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published by the IASB on September 11th 2014, are effective for annual periods beginning on or after January 1st 2016. | January 1st 2016 |
| Amendments to IFRS 11 Joint Arrangements | Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations, published by the IASB on May 6th 2014, are effective for annual periods beginning on or after January 1st 2016. The amendments provide new guidance on accounting for acquisitions of interests in joint operations in which the activity constitutes a business. | January 1st 2016 |

| Standard | Nature of impending change in accounting policy | Effective for periods beginning on or after: |
|---|---|---|
| Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets | Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation, published by the IASB on May 12th 2014, are effective for annual periods beginning on or after January 1st 2016. | January 1st 2016 |
| Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture | Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants, published by the IASB on June 30th 2014, are effective for annual periods beginning on or after January 1st 2016. | January 1st 2016 |
| Amendments to IAS 27 Separate Financial Statements | Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements, published by the IASB on August 12th 2014, are effective for annual periods beginning on or after January 1st 2016. | January 1st 2016 |
| Amendments to IAS 1 under the Disclosure Initiative | Amendments to IAS 1 under the Disclosure Initiative are effective for reporting periods beginning on or after January 1st 2016.<br>The exposure draft includes a requirement that an entity should not aggregate or disaggregate information in a manner that obscures useful information, for example by aggregating items that have different characteristics or disclosing a large amount of immaterial detail. When management determines an item is material, the draft amendments require assessment of which specific disclosures set out in the relevant standard should be presented, and whether additional information is necessary to meet the needs of financial statement users and the disclosure objectives of a given standard. The proposals apply to disclosures made on the face of financial statements and in the notes. | January 1st 2016 |
| Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception | The proposed amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures clarify three issues about the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. | January 1st 2016 |

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 | Dec 31 2014 | Dec 31 2013 |
|---|---|---|
| Average exchange rate for the period* | 4.1893 | 4.2110 |
| Exchange rate effective for the last day of the period | 4.2623 | 4.1472 |

*)arithmetic mean 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−Q4 cumulative Jan 1–Dec 31 | | | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | (PLN '000) | | (EUR '000) | |
| Revenue | 436,305 | 487,974 | 104,149 | 115,881 |
| Cost of sales | -333,732 | -374,074 | -79,664 | -88,833 |
| Operating profit/(loss) | 9,023 | 16,819 | 2,154 | 3,994 |
| Profit/(loss) before tax | 528 | 18,645 | 126 | 4,428 |
| Net profit/(loss) | 90 | 15,221 | 21 | 3,615 |
| Net cash flows from operating activities | 30,251 | 9,514 | 7,221 | 2,259 |
| Net cash flows from investing activities | -18,702 | -21,545 | -4,464 | -5,116 |
| Net cash flows from financing activities | -3,539 | 820 | -845 | 195 |
| | **Dec 31 2014** | **Dec 31 2013** | **Dec 31 2014** | **Dec 31 2013** |
| Total assets | 520,857 | 484,094 | 122,201 | 116,728 |
| Total liabilities | 255,680 | 223,927 | 59,986 | 53,995 |
| including current liabilities | 207,425 | 173,761 | 48,665 | 41,898 |
| Equity | 265,177 | 260,167 | 62,215 | 62,733 |
| Share capital | 3,704 | 3,693 | 869 | 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−Q4 cumulative Jan 1–Dec 31 | | | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (PLN '000) | | (EUR '000) | |
| Revenue | 19,511 | 14,553 | 4,657 | 3,456 |
| Cost of sales | -18,119 | -13,738 | -4,325 | -3,262 |
| Operating profit/(loss) | -2,384 | -9,310 | -569 | -1,890 |
| Profit/(loss) before tax | 5,901 | 14,930 | 1,409 | 3,866 |
| Net profit/(loss) | 7,365 | 14,906 | 1,758 | 3,846 |
| Net cash flows from operating activities | -2,715 | -168 | -648 | -40 |
| Net cash flows from investing activities | 13,886 | -20,975 | 3,315 | -4,981 |
| Net cash flows from financing activities | -11,965 | 7,178 | -2,856 | 1,705 |
| | **Dec 31 2014** | **Dec 31 2013** | **Dec 31 2014** | **Dec 31 2013** |
| Total assets | 224,220 | 230,670 | 53,522 | 55,686 |
| Total liabilities | 27,194 | 34,803 | 6,491 | 8,392 |
| including current liabilities | 15,533 | 16,007 | 3,708 | 3,860 |
| Equity | 197,026 | 195,867 | 47,031 | 47,294 |
| Share capital | 3,704 | 3,693 | 884 | 890 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31ST 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:**

| | 2014 | 2013 |
|---|---|---|
| Sale of finished goods | 414,886 | 469,360 |
| Sales of merchandise and materials | 21,420 | 18,614 |
| **TOTAL sales revenue** | **436,305** | **487,974** |
| Other income | 5,764 | 4,302 |
| Finance income | 5,813 | 5,080 |
| **TOTAL revenue and income** | **447,883** | **497,356** |

**OPERATING SEGMENTS**

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.

**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).

**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.

**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 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.

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–Dec 31 2014*

| Item | Continuing operations | | | | | | Unallocated items | Total |
|---|---|---|---|---|---|---|---|---|
| | *Vacuum Furnaces* | *Melting Furnaces* | *Thermal* | *CAB* | *Aluminium Process* | *Total* | | |
| **Total segment revenue** | **100,415** | **92,751** | **109,726** | **39,556** | **29,337** | **371,785** | **64,520** | **436,305** |
| **Total segment expenses** | **-74,134** | **-79,133** | **-89,003** | **-27,248** | **-26,847** | **-296,365** | **-37,366** | **-333,732** |
| Administrative expenses | | | | | | | -57,888 | **-57,888** |
| Distribution costs | | | | | | | -30,593 | **-30,593** |
| Operating income | | | | | | | 5,764 | **5,764** |
| Operating expenses | | | | | | | -10,834 | **-10,834** |
| **Segment profit/(loss) on operating activities** | | | | | | | **9,023** | **9,023** |
| Impairment loss on goodwill | | | | | | | -7,000 | **-7,000** |
| Finance income | | | | | | | 5,813 | **5,813** |
| Finance costs | | | | | | | -6,825 | **-6,825** |
| Share in profit of associate | | | | | | | -483 | **-483** |
| **Profit/(loss) before tax** | | | | | | | **528** | **528** |
| Actual tax expense | | | | | | | | **-2,884** |
| **Net profit/(loss) from continuing operations** | | | | | | | | **-2,356** |
| Profit/(loss) attributable to non-controlling interests | | | | | | | | **-2,446** |
| **Net profit/(loss) for period** | | | | | | | | **90** |

*Revenue and net profit/loss of operating segments in Jan 1–Dec 31 2013*

| Item | Continuing operations | | | | | | Unallocated items | Total |
|---|---|---|---|---|---|---|---|---|
| | *Vacuum Furnaces* | *Melting Furnaces* | *Thermal* | *CAB* | *Aluminium Process* | *Total* | | |
| **Total segment revenue** | **102,093** | **174,325** | **83,714** | **48,640** | **29,389** | **438,161** | **49,813** | **487,974** |
| **Total segment expenses** | **-70,770** | **-133,360** | **-71,027** | **-36,508** | **-27,643** | **-339,306** | **-34,768** | **-374,074** |
| Administrative expenses | | | | | | | -65,057 | **-65,057** |
| Distribution costs | | | | | | | -30,071 | **-30,071** |
| Operating income | | | | | | | 4,302 | **4,302** |
| Operating expenses | | | | | | | -6,254 | **-6,254** |
| **Segment profit/(loss) on operating activities** | | | | | | | **16,819** | **16,819** |
| Finance income | | | | | | | 5,080 | **5,080** |
| Finance costs | | | | | | | -2,688 | **-2,688** |
| Share in profit of associate | | | | | | | -567 | **-567** |
| **Profit/(loss) before tax** | | | | | | | **18,645** | **18,645** |
| Actual tax expense | | | | | | | | **-5,273** |
| **Net profit/(loss) from continuing operations** | | | | | | | | **13,372** |
| Profit/(loss) attributable to non-controlling interests | | | | | | | | **-1,849** |
| **Net profit/(loss) for period** | | | | | | | | **15,221** |

### PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–December 31st 2014, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 17,175 thousand.

| Item | Dec 31 2014 | Sep 30 2014 | Dec 31 2013 |
|---|---|---|---|
| Tangible assets | 82,385 | 77,296 | 76,739 |
| Tangible assets under construction | 5,112 | 7,322 | 3,476 |
| **Property, plant and equipment** | **87,498** | **84,619** | **80,215** |

### IMPAIRMENT LOSSES ON ASSETS

| Impairment losses | Dec 31 2014 | Sep 30 2014 | Dec 31 2013 |
|---|---|---|---|
| Trade receivables | 9,367 | 11,515 | 3,656 |
| Equity interests | 7,000 | 1,121 | 1,121 |
| Inventories | 3,012 | 2,935 | 2,672 |

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

In Q4 2014, the SECO/WARWICK Group did not pay or declare any dividend.

### INVESTMENT COMMITMENTS

As at December 31st 2014, SECO/WARWICK S.A. had an investment commitment related to the purchase of shares in Engefor Engenharia Industria e Comerci Ltda of Sao Paulo, in the amount of BRL 3,000 thousand. This liability is to be settled by May 24th 2015.

### PRESENTATION ADJUSTMENT

In order to ensure data comparability, the following presentation adjustment was made, which had no effect on profit or loss for the period January 1st−December 31st 2013:

adjustment to a note on revenue and profit/loss of the operating segments for the period January 1st–December 31st 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* | *Melting Furnaces* | *Thermal* | *CAB* | *Aluminium Process* | *Total* | | |
| **Total segment revenue** | **108,996** | **185,064** | **97,627** | **52,211** | **30,191** | **474,088** | **13,885** | **487,974** |
| **Total segment expenses** | **-75,537** | **-141,533** | **-82,132** | **-38,435** | **-27,974** | **-365,611** | **-8,463** | **-374,074** |

After adjustment

| Item | Continuing operations | | | | | | Unallocated items | Total |
|---|---|---|---|---|---|---|---|---|
| | *Vacuum Furnaces* | *Melting Furnaces* | *Thermal* | *CAB* | *Aluminium Process* | *Total* | | |
| **Total segment revenue** | **102,093** | **174,325** | **83,714** | **48,640** | **29,389** | **438,161** | **49,813** | **487,974** |
| **Total segment expenses** | **-70,770** | **-133,360** | **-71,027** | **-36,508** | **-27643** | **-339,306** | **-34,768** | **-374,074** |

## OFF-BALANCE SHEET CONSOLIDATED ITEMS

### Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 67,051 thousand as at December 31st 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 | Dec 31 2014 | *AMOUNT (PLN)* |
|---|---|---|---|---|---|
| S/W ALLIED Pvt. Ltd. | Union Bank of India | Guarantee and credit facility | INR | 258,200 | 14,322 |
| RETECH Systems | HSBC BANK USA | Guarantee and credit facility | USD | 25,000* | 87,680 |
| RETECH Systems | HSBC BANK USA | Guarantee and credit facility | USD | 3,500* | 19,290 |
| S/W Retech | HSBC BANK CHINA | Guarantee and credit facility | USD | 2,200 | 7,716 |
| S/W Corp. | HSBC BANK USA | Guarantee and credit facility | USD | 1,800** | 6,313 |
| **TOTAL** | | | | | **135,321** |

* The amount drawn by Retech Systems under the available credit facilities as at December 31st 2014 was USD 700 thousand.
** No funds were drawn by S/W Corporation under the available credit facilities as at December 31st 2014.

| 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 December 31st 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 Q4 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 Q4 2014**

In the business activities of SECO/WARWICK S.A. and the SECO/WARWICK Group, there were no changes in the disclosed estimates that would, due to their type or amount, have a material bearing on the Q4 2014 results.

**Issue, redemption and repayment of debt and equity securities**

There were no issues, redemptions or repayments of debt or equity securities in Q4 2014.

**Earnings per share**

| Item | Dec 31 2014 | Dec 31 2013 |
|---|---|---|
| Net profit from continuing operations attributable to shareholders | 90 | 15,221 |
| Loss from discontinued operations attributable to shareholders | - | - |
| Net profit attributable to owners of the parent | 90 | 15,221 |
| **Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share** | **90** | **15,221** |
| Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share | 10,734,679 | 10,529,398 |
| **Earnings per share** | **0.01** | **1.45** |
| Dilutive effect: | | |
| Number of potential subscription warrants | 238,373 | 296,013 |
| Number of potential shares issued at market price | 3,483 | 2,205 |
| Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share | 10,969,568 | 10,823,206 |
| **Diluted earnings per share** | **0.01** | **1.41** |

**Material events subsequent to the end of Q4 2014, not disclosed in the financial statements for Q4 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 the Group companies, long-term investments, demergers, restructuring or discontinuation of operations**

On June 4th 2014, conditions precedent were met for the acquisition of 9,122 shares in SECO/WARWICK Allied Pvt. Ltd. (Mumbai) of India and payment of the third instalment of the selling price. 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 vote at its General Meeting.

In Q4 2014, there were no other changes in the SECO/WARWICK Group's structure such as 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 Q4 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 quarterly report**

**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. November 14th 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.

The Management Board of SECO/WARWICK S.A. (the "Company") announced that:

on January 7th 2015 it received a notification from SW Holding spółka z ograniczoną odpowiedzialnością of Poznań ("SW Holding") concerning a change in the number of votes and percentage of the total vote held at the General Meeting of the Company. In connection with the pending liquidation procedure, SW Poland Holding B.V. in liquidate of Amsterdam, a wholly-owned subsidiary of SW Holding (the "Subsidiary"), and SW Holding entered into an agreement whereunder all the assets and liabilities of the Subsidiary were transferred to SW Holding (the "Agreement"). In performance of the Agreement, on December 30th 2014 3,387,139 Company shares, representing 31.54% of the Company's share capital and conferring the right to 3,387,139 votes, representing 31.54% of the total vote at the General Meeting of the Company, were transferred from the Subsidiary's account to the account of SW Holding ("Share Transfer").
following a buy-back transaction, on February 13th 2015 the percentage share of total vote held by the Company at its General Meeting exceeded 5%. The change resulted from the acquisition of 1,073,783 own shares on February 13th 2015.
it had received notifications from Spruce Holding LLC of Wilmington ("Spruce Holding LLC") and PKO BP Bankowy Otwarty Fundusz Emerytalny ("PKO BP Bankowy OFE"), represented by PKO BP Bankowy Powszechne Towarzystwo Emerytalne S.A., concerning a change in the number of votes and percentage share of the total vote held at the General Meeting of the Company.
1) Spruce Holding LLC
The change in percentage share of the total vote at the General Meeting resulted from the sale by Spruce Holding LLC of 295,957 Company shares on February 13th 2015.
2) PKO BP Bankowy OFE
The change in percentage share of the total vote at the General Meeting resulted from the sale by PKO BP Bankowy OFE of 294,449 Company shares on February 13th 2015.

**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. March 2nd 2015**

| Shareholder | Number of shares | Ownership interest (%) | Number of votes | % of total vote at General Meeting |
|---|---|---|---|---|
| SW Holding | 3,387,139 | 31.54% | 3,387,139 | 31.54% |
| Spruce Holding Limited Liability Company (USA) | 1,123,337 | 10.46% | 1,123,337 | 10.46% |
| SECO/WARWICK S.A. | 1,073,789 | 10.00% | 1,073,783 | 10.00% |
| Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK | 904,794 | 8.43% | 904,794 | 8.43% |
| Bleauhard Holdings LLC | 637,028 | 5.93% | 637,028 | 5.93% |
| 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.

4. **SECO/WARWICK shares held by members of the Management Board and Supervisory Board as at the issue date of this Report, including information on any changes subsequent to the publication of the Q3 2014 report**

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

| | Nov 14 2014 | | | | Feb 27 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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% | 100,000 | 254,558 | 2.37% | 2.37% | 50,912 |
| 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 |
| Andrzej Zawistowski | - | - | - | 65,000 | 65,000 | 0.61% | 0.61% | 13,000 |
| 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% | 165,000 | 396,285 | 3.69% | 3.69% | 79,257 |

| **Item** | |
|---|---|
| Number of shares | 10,737,837 |
| Par value of shares | 0.20 |
| Share capital | 2,147,567.40 |

The Management Board of SECO/WARWICK S.A. (the "Company") announced that on February 18th 2015 it received notifications under Art. 160 of the Act on Trading in Financial Instruments concerning the following transactions:

1. Purchase by the President of the Management Board of 100,000 shares at a price of PLN 25 per share on February 13th 2015;
2. Purchase by a member of the Supervisory Board of 65,000 shares at a price of PLN 25 per share on February 13th 2015.

In the reporting period and until March 2nd 2015, members of SECO/WARWICK S.A.'s Management and Supervisory Board did not enter into any other transactions that would involve their holdings of Company shares.

## 5. Court, arbitration or administrative proceedings

In Q4 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 (March 2nd 2015), 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. Material achievements and failures of SECO/WARWICK S.A. and its Group in Q4 2014, including a list of the pertinent events

In Q4 2014, sales rose 3% on Q4 2013, to PLN 121.8m. The SECO/WARWICK Group ended the year with sales down 10.6% on 2013, at PLN 436.3m.

Sales declined mainly on lower orders in 2013 and early 2014, particularly in the melting furnaces segment, which was the leading segment in 2013 (representing 36% of the total sales volume in that year), and the resultant 47% drop in the segment's sales. A marked decrease in sales volumes (down 18.7%) was also reported in the CAB segment. Sales in the vacuum furnaces and aluminium process segments remained broadly flat year on year, while the atmosphere furnaces segment posted a 30% increase in sales and thus became the Group's leading segment (25%). Equally noteworthy is a 30% 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. The Company believes that some of the reasons behind weaker sales were certain macroeconomic factors, including a sharp economic slowdown in China (SECO/WARWICK Retech's sales down 37% on 2013) and the political uncertainty in Brazil and India, where a majority of investment projects were either suspended or postponed due to presidential elections held in 2014.

Despite this backdrop, the Group companies secured orders worth a total of PLN 413m, which is 3% more than in the previous year. As at the end of December 2014, the order book value stood at PLN 275m.

Gross margin posted by the Group in 2014 was similar to the level reported in 2013 (23.5% and 23.3%, respectively), with distribution costs and administrative expenses down 7% (to PLN 88.5m in 2014). In addition to an 11% drop in turnover, the Group's performance was affected by certain one-off items, including an impairment loss on the investment in Brazil (PLN - 7.0m) and impairment losses on receivables recognised in SECO/WARWICK Allied and SECO/WARWICK Corporation.

The implemented savings programme resulted in a significant drop in administrative expenses, of approximately PLN 10m.

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 until the publication date of this Report (March 2nd 2015).

## 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 Q4 2014, neither SECO/WARWICK S.A. nor any of its subsidiaries provided any sureties for bank borrowings, loans or guarantees exceeding 10% of the Company's equity

## 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

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 was announced on February 3rd 2015. On February 13th 2015, the Company acquired 1,073,783 own shares, representing 10% of its share capital. The acquisition was financed with an investment credit facility.

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.

Overall headcount at the SECO/WARWICK Group was down 7% year on year, mainly in administration, on the back of organisational restructuring and efforts to adapt to the changing economic environment.

At its meeting held on December 4th 2014, the Supervisory Board resolved to appoint Deloitte Polska z ograniczoną odpowiedzialnością sp.k. as the auditor of the SECO/WARWICK Group's financial statements in 2015.

As at the publication date of the Q4 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

The Company's Management Board expects the SECO/WARWICK Incentive Scheme to have a bearing on the Group's performance in the next quarter or in a longer term.

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 Q4 2014

Having received preliminary unaudited financial information for Q4 2014 from SECO/WARWICK do Brasil and having analysed the budget assumptions for 2015, on January 23rd 2015 the Management Board of SECO/WARWICK S.A. resolved to recognise a PLN 7m impairment loss on the investment in the subsidiary SECO/WARWICK do Brasil. The amount was charged against the Group's profit or loss for Q4 2014.