THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2015

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2015

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN '000)

PLN '000	Mar 31 2015	Dec 31 2014
ASSETS		
Non-current assets		
Property, plant and equipment	95,146	92,051
Investment property	386	389
Goodwill	74,305	68,558
Intangible assets	23,567	22,609
Investments in associates	1,984	1,888
Non-current receivables	1,240	1,240
Loans and receivables	-	361
Other financial assets	7,755	6,906
Deferred tax assets	26,092	22,817
	230,475	**216,819**
Current assets		
Inventories	39,248	36,319
Trade receivables	84,796	71,224
Income tax assets	2,199	2,732
Other current receivables	14,823	15,005
Accruals and deferred income	8,644	2,742
Other financial assets	4,114	1,425
Contract settlement	125,193	104,553
Cash and cash equivalents	56,534	46,702
	335,552	**280,701**
ASSETS HELD FOR SALE	**-**	**-**
TOTAL ASSETS	**566,027**	**497,519**

PLN '000	Mar 31 2015	Dec 31 2014
EQUITY AND LIABILITIES		
Equity		
Share capital	3,704	3,704
Statutory reserve funds	174,617	174,617
Other components of equity	20,347	46,733
Retained earnings/(deficit)	37,235	21,875
Non-controlling interests	**2,513**	**2,376**
	238,416	**249,305**
Non-current liabilities		
Borrowings and other debt instruments	43,587	15,659
Financial liabilities	1,049	863
Other non-current liabilities	415	464
Deferred tax liabilities	23,381	21,636
Provision for retirement and similar benefits	5,727	5,352
Other provisions	3,094	2,014
Deferred income	5,666	2,746
	82,920	**48,734**
Current liabilities		
Borrowings and other debt instruments	38,737	30,041
Financial liabilities	9,267	7,215
Trade payables	67,477	57,233
Income tax payable	42	98
Taxes, customs duties and social security payable	6,370	4,943
Other current liabilities	5,254	7,769
Provision for retirement and similar benefits	10,516	9,153
Other provisions	11,928	11,589
Deferred income	5,642	8,569
Contract settlement	89,459	62,871
	244,691	**199,481**
TOTAL EQUITY AND LIABILITIES	**566,027**	**497,519**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

PLN '000	For the period Jan 1– Mar 31 2015	For the period Jan 1– Mar 31 2014
Revenue from sale of finished goods	105,670	99,370
Revenue from sale of merchandise and materials	5,137	4,613
Revenue	**110,807**	**103,983**
Finished goods sold	-77,944	-73,734
Merchandise and materials sold	-2,827	-2,826
Cost of sales	**-80,770**	**-76,559**
Gross profit/(loss)	**30,036**	**27,423**
Other income	950	1,863
Distribution costs	-7,575	-6,565
Administrative expenses	-15,214	-14,647
Other expenses	-1,027	-575
Operating profit/(loss)	**7,171**	**7,500**
Finance income	2,710	938
Finance costs	-1,814	-1,612
Share of net profit/(loss) of associates	-80	-135
Profit/(loss) before tax	**7,986**	**6,691**
Actual tax expense	-2,763	-2,540
Net profit/(loss) from continuing operations	5,223	4,151
Loss from discontinued operations	-	-
Net profit/(loss)	5,223	4,151
Net profit/(loss) attributable to		
Owners of the Parent	**5,323**	**4,222**
Non-controlling interests	-100	-71
EARNINGS PER SHARE:		
Basic	0.50	0.39
Diluted	0.50	0.39
OTHER COMPREHENSIVE INCOME:		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on a defined benefit retirement plan	-	-
Income tax on other comprehensive income	-	-
Items that may be reclassified to profit or loss:		
Valuation of cash flow hedging derivatives	-1,595	-636
Exchange differences on translating foreign operations	11,565	2,199
Reclassification adjustments (increase in control of a subsidiary)	-	-
Income tax on other comprehensive income	303	121
Total other comprehensive income, net	**10,273**	**1,684**
Total comprehensive income	**15,497**	**5,835**
Total comprehensive income attributable to		
Owners of the Parent	15,360	5,935
Non-controlling interests	137	-100

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(PLN '000)

	For the period Jan 1–Mar 31 2015	For the period Jan 1–Mar 31 2014
OPERATING ACTIVITIES		
Profit/(loss) before tax	**7,986**	**6,691**
Adjustments for:	**1,362**	**-3,064**
Share of net profit of associates	80	135
Depreciation and amortisation	2,254	2,114
Foreign exchange gains/(losses)	1,689	1,265
Interest and profit distributions (dividends)	976	-112
Gain/(loss) on investing activities	-465	-681
Balance-sheet valuation of derivative instruments	-3,538	137
Change in provisions	1,986	-1,423
Change in inventories	-2,373	-1,740
Change in receivables	-9,963	-2,343
Change in current liabilities (other than financial liabilities)	3,218	2,514
Change in accruals, deferrals and contracts	8,081	-2,009
Other adjustments	-584	-921
Cash from operating activities	**9,348**	**3,627**
Income tax (paid)/recovered	**-874**	**-361**
Net cash flows from operating activities	**8,474**	**3,265**
INVESTING ACTIVITIES		
Cash provided by financing activities	**75**	**736**
Proceeds from disposal of intangible assets and property, plant and equipment	63	-
Proceeds from disposals of financial assets	12	18
Other inflows from financial assets	-	717
Cash used in financing activities	**3,995**	**5,085**
Investments in intangible assets, property, plant and equipment, and investment property	3,598	4,251
Other financial assets	398	835
Net cash flows from investing activities	**-3,921**	**-4,350**

FINANCING ACTIVITIES		
Cash provided by financing activities	**34,887**	**9,995**
Borrowings and other debt instruments	34,887	9,983
Other cash provided by financing activities	-	12
Cash used in financing activities	**29,443**	**4,917**
Acquisition of own shares	26,845	-
Repayment of borrowings and other debt instruments	1,598	3,915
Payment of finance lease liabilities	53	84
Other cash used in financing activities	-	93
Interest paid	947	825
Net cash flows from financing activities	**5,444**	**5,078**
Total net cash flows	**9,997**	**3,993**
Net change in cash, including:	**10,491**	**3,894**
- effect of exchange rate fluctuations on cash held	-164	-141
Cash at beginning of the period	**46,679**	**44,375**
Cash at end of the period, including:	**56,677**	**48,368**
- restricted cash	-	5,506

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

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Foreign exchange differences	Retained earnings/(deficit)	**Equity attributable to owners of the Parent**	Equity attributable to non-controlling interests	**Total equity**
Equity as at Jan 1 2014	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**254,725**	**5,441**	**260,167**
Correction of previous years' errors	-	-	-	-	-	-	-	-	-
Equity as at Jan 1 2014	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**254,725**	**5,441**	**260,167**
Profit/(loss) for the period	-	-	-	-	-	4,221	**4,221**	-,100	**4,122**
Other comprehensive income	-	-	-515	-	2,228	-	**1,713**	-	**1,713**
Total comprehensive income for the year	-	-	-515	-	2,228	4,221	**5,935**	**-100**	**5,835**
Issue of shares	12	-	-	-	-	-	**12**	-	**12**
Management stock options	-	-	-	532	-	-	**3,147**	-	**3,147**
Change of method of accounting for employee benefit plan	-	-	-	-	-	-	**-457**	-	**-457**
Transfer of 2013 earnings	-	-	-	-	-	-	**0**	-	-
Accounting for acquisition of control and increase in control of a subsidiary	-	-	-	-	-	-	**-926**	-	**-926**
Equity as at Mar 31 2014	**3,704**	**199,708**	**809**	**3,680**	**-9,639**	**62,943**	**261,204**	**5,342**	**266,546**
Equity as at Jan 1 2015	**3,704**	**174,617**	**-255**	**46,733**	**9,893**	**12,238**	**246,929**	**2,376**	**249,305**
Correction of previous years' errors	-	-	-	-	-	-	-	-	-
Equity as at Jan 1 2015	**3,704**	**174,617**	**-255**	**46,733**	**9,893**	**12,238**	**246,929**	**2,376**	**249,305**
Profit/(loss) for the period	-	-	-	-	-	5,323	**-15,323**	-100	**5,223**
Other comprehensive income	-	-	-,1,292	-	11,328	-	**10,036**	237	**10,273**
Total comprehensive income for the year	-	-	-,1,292	-	11,328	5,323	**15,360**	**137**	**15,497**
Issue of shares	-	-	-	-	-	-	-	-	-
Management stock options	-	-	-	459	-	-	**459**	-	**459**
Dividend paid	-	-	-	-	-	-	-	-	-
Transfer of 2014 earnings	-	-	-	-	-	-	-	-	-
Share buy-back	-	-	-	-26,845	-	-	**-26,845**	-	**-26,845**
Other adjustments	-	-	-	-	-	-	-	-	-
Accounting for increase in control of a subsidiary	-	-	-	-	-	-	-	-	-
Equity as at Mar 31 2015	**3,704**	**174,617**	**-1,547**	**20,347**	**21,221**	**17,561**	**235,903**	**2,513**	**238,416**

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2015

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

PLN '000	Mar 31 2015	Dec 31 2014
ASSETS		
Non-current assets		
Property, plant and equipment	1,817	1,829
Intangible assets	10,987	11,006
Investments in subsidiary, jointly-controlled and associated entities	161,268	161,629
Deferred tax assets	8,338	8,533
	182,410	**182,997**
Current assets		
Trade receivables	12,065	9,941
Other current receivables	152	148
Accruals and deferred income	117	119
Other financial assets	4,165	3,901
Cash and cash equivalents	5,333	9,474
	21,831	**23,583**
TOTAL ASSETS	**204,241**	**206,580**

PLN '000	Mar 31 2015	Dec 31 2014
EQUITY AND LIABILITIES		
Equity		
Share capital	3,704	3,704
Statutory reserve funds	136,322	136,322
Capital reserves	14,905	41,750
Other components of equity	5,442	4,983
Retained earnings/(deficit)	-7,627	-6,520
	152,747	**180,239**
Non-current liabilities		
Borrowings and other debt instruments	32,258	5,534
Financial liabilities	17	17
Deferred tax liabilities	1,820	1,632
Deferred income	2,683	2,746
	36,778	**9,929**
Current liabilities		
Borrowings and other debt instruments	3,839	3,970
Financial liabilities	3,867	4,303
Trade payables	3,273	4,251
Other current liabilities	651	743
Income tax payable	-	60
Provision for retirement and similar benefits	1,357	1,357
Deferred income	1,729	1,729
	14,716	**16,412**
TOTAL EQUITY AND LIABILITIES	**204,241**	**206,580**

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

CONTINUING OPERATIONS	PLN '000	For the period Jan 1–Mar 31 2015	For the period Jan 1–Mar 31 2014
Revenue from sale of finished goods		2,712	10,292
Revenue from sale of merchandise and materials		-	-
Revenue		**2,712**	**10,292**
Finished goods sold		-1,857	-10,591
Merchandise and materials sold		-	-
Cost of sales		**-1,857**	**-10,591**
Gross profit/(loss)		**855**	**-298**
Other income		63	73
Distribution costs		-	-
Administrative expenses		-1,556	-1,008
Other expenses		-3	-14
Operating profit/(loss)		**-641**	**-1,248**
Finance income		127	9,153
Finance costs		-210	-544
Profit/(loss) before tax		**-724**	**7,360**
Actual tax expense		-383	-458
Net profit/(loss) from continuing operations		**-1,107**	**6,902**
DISCONTINUED OPERATIONS			
Loss from discontinued operations		-	-
Net profit/(loss) for financial year		**-1,107**	**6,902**
OTHER COMPREHENSIVE INCOME:			
Cash flow hedges		-	-
Income tax on other comprehensive income		-	-
Other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**-1,107**	**6,902**

Earnings/(loss) per share (PLN):		
- basic and diluted from net profit/(loss)	-0.10	0.65

INTERIM SEPARATE STATEMENT OF CASH FLOWS
(PLN '000)

	For the period Jan 1–Mar 31 2015	For the period Jan 1–Mar 31 2014
OPERATING ACTIVITIES		
Profit/(loss) before tax	**-724**	**7,360**
Adjustments for:	**-2,075**	**-11,135**
Depreciation and amortisation	302	347
Foreign exchange gains/(losses)	885	766
Interest and profit distributions (dividends)	11	-9,071
Change in provisions	-	-989
Change in receivables	-2,127	-2,167
Change in current liabilities (other than financial liabilities)	-1,546	-407
Change in accruals and deferrals	-60	-109
Other adjustments	459	494
Cash from operating activities	**-2,800**	**-3,775**
Income tax (paid)/recovered	-	-
Net cash flows from operating activities	**-2,800**	**-3,775**
INVESTING ACTIVITIES		
Cash provided by financing activities	**12**	**9,114**
Proceeds from disposal of intangible assets and property, plant and equipment	-	-
Dividends and profit distributions received	12	9,095
Decrease in loans advanced	-	18
Cash used in financing activities	**271**	**1,786**
Investments in intangible assets, property, plant and equipment, and investment property	271	951
Acquisition of related entities	-	306
Increase in loans advanced	-	529
Net cash flows from investing activities	**-259**	**7,328**
FINANCING ACTIVITIES		
Cash provided by financing activities	**26,845**	**12**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	-	12
Borrowings and other debt instruments	26,845	-
Cash used in financing activities	**27,974**	**1,593**
Acquisition of own shares	26,845	-
Repayment of borrowings and other debt instruments	1,061	1,521
Payment of finance lease liabilities	19	-
Interest paid	49	72
Net cash flows from financing activities	**-1,129**	**-1,582**
Total net cash flows	**-4,188**	**1,971**
Net change in cash, including:	**-4,140**	**2,020**
- effect of exchange rate fluctuations on cash held	47	6
Cash at beginning of the period	**9,515**	**10,309**
Cash at end of the period, including:	**5,328**	**12,281**
- restricted cash	-	-

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

	Share capital	Statutory reserve funds	Capital reserves	Other components of equity	Retained earnings/ (deficit)	Total equity
As at Jan 1 2014	**3,693**	**171,219**	**-**	**3,147**	**17,809**	**195,867**
Profit/(loss) for the period	-	-	-	-	6,902	6,902
Comprehensive income for the period	-	-	-	-	6,902	**6,902**
Share capital increase	12	-	-	-	-	12
Management stock options	-	-	-	532	-	532
As at Mar 31 2014	**3,704**	**171,219**	**-**	**3,680**	**24,710**	**203,313**
As at Jan 1 2015	**3,704**	**136,322**	**41,750**	**4,983**	**-6,520**	**180,239**
Profit/(loss) for the period	-	-	-	-	-1,107	-1,107
Comprehensive income for the period	-	-	-	-	-1,107	**-1,107**
Share buy-back	-	-	-26,845	-	-	-26,845
Management stock options	-	-	-	459	-	459
As at Mar 31 2015	**3,704**	**136,322**	**14,905**	**5,442**	**-7,627**	**152,747**

SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31ST 2015

I. General information

Information on the SECO/WARWICK Group

The Parent of the SECO/WARWICK Group is SECO/WARWICK Spółka Akcyjna of Świebodzin. 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 main product groups. In line with the management reports, the aftersales segment has also been established.

- 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),
- aftersales services (Aftersales).

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 March 31st 2015, 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.

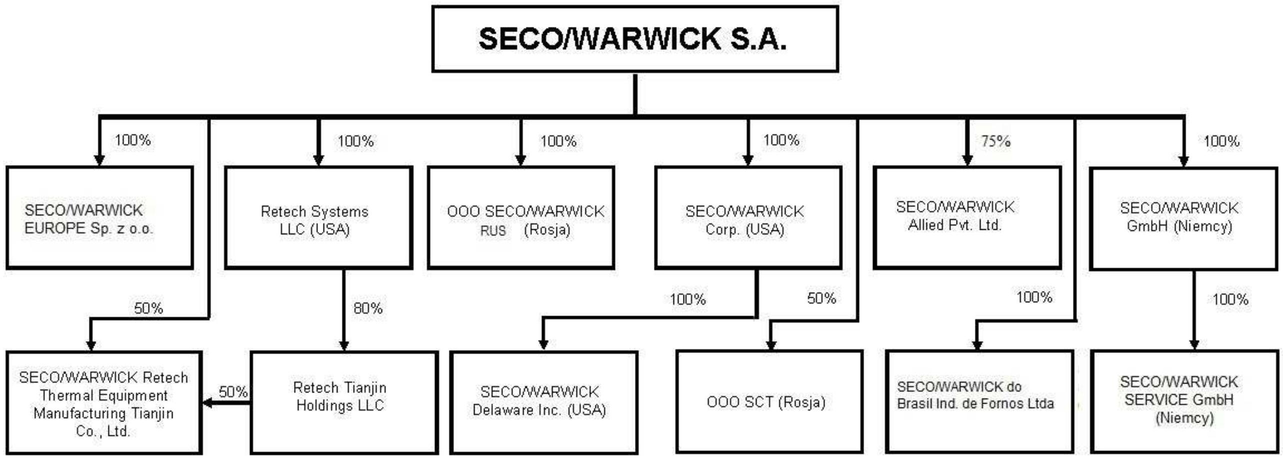
Direct and indirect subsidiaries

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 March 31st 2015 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.

Historical cost is determined on the basis of fair value of payment made for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the principal (or most advantageous) market at the measurement date under current market conditions, irrespective of whether the price is directly observable or measured using another valuation technique. When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The methods described above are used for the purpose of fair value measurement and/or disclosure of information in the Group's consolidated financial statements, except for share-based payments, which fall within the scope of IFRS 2, lease transactions, which fall within the scope of IAS 17, and except for measurements which show certain similarities with fair value, but are not fair value, such as net realisable value under IAS 2 or value in use under IAS 36.

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.

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

Item	Capitalised development costs	Patents and licences	Software
Useful life	5–20 years	5–10 years	5–15 years
Amortisation method	Amortised using straight-line method after completion of work	Amortised over agreement term using straight-line method	Amortised using straight-line method
Origin	Generated	Acquired	Acquired
Impairment testing/measuring recoverable amount	Annual usability testing	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 which is not yet fit for use but it is highly probable that it 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

Deferred income tax is recognised for all temporary differences between the carrying amounts of assets and liabilities disclosed in the consolidated financial statements and their tax values, as well as for any unused tax loss carry-forwards and unused tax credits. Deferred tax liabilities are substantially recognised in relation to all taxable temporary differences. Deferred tax assets are recognised in relation to all deductible temporary differences to the extent it is probable that in the foreseeable future taxable income will be generated which will enable the deductible temporary differences to be offset. Deferred tax assets and liabilities are not recognised if the temporary differences arise in relation to goodwill or on the initial recognition of other assets and liabilities in a transaction which is not a business combination and affects neither tax nor accounting profit. In addition, no deferred tax is recognised if the temporary differences arise on initial recognition of goodwill.
A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except to the extent that the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets attributable to deductible temporary differences associated with such investments and interests are recognised only to the extent it is probable that taxable income will be generated which will enable the tax assets to be utilised and to the extent it is probable that the temporary differences will reverse in the foreseeable future.
The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 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 the statement of profit or loss.

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 March 31st 2015 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 percentage of completion is determined by reference to costs incurred to date in comparison with total contract costs determined in accordance with the Group's best estimate.

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). 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 instruments are initially recognised at fair value as at the relevant contract date, and subsequently they are remeasured at fair value as at the end of each reporting period. Any resultant gains or losses are recognised directly in profit or loss, unless a given instrument is used as a hedge, in which case the time of recognition in profit or loss depends on the nature of the hedging relationship.

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. Within the period covered by these financial statements, no transactions were identified whose recognition would require the application of the Management Board’s subjective judgement as defined above.

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.

Main consequences of applying new regulations:

- IFRS 10 Consolidated Financial Statements

The new standard was issued on May 12th 2011 to supersede SIC-12 Consolidation – Special Purpose Entities and, partially, IAS 27 Consolidated and Separate Financial Statements. The standard defines the principle of control and establishes control as the basis for consolidation, as well as sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.

The application of the new standard has no material effect on the Company's financial statements.

- IFRS 11 Joint Arrangements

The new standard was issued on May 12th 2011 to supersede SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers and IAS 31 Interests in Joint Ventures. The standard focuses on the rights and obligations under joint arrangements irrespective of their legal form and eliminates a lack of consistency in reporting, as it defines a method of accounting for interests in jointly controlled entities.

The application of the new standard has no material effect on the Company's financial statements.

- IFRS 12 Disclosure of Interests in Other Entities

The new standard was issued on May 12th 2011 and stipulates disclosure requirements concerning an entity's interests in other entities or investments.

The application of the new standard has no material effect on the Company's financial statements.

- IAS 27 Separate Financial Statements

The new standard was issued on May 12th 2011 following the transfer of certain provisions of former IAS 27 to new IFRS 10 and IFRS 11. The standard stipulates requirements concerning the presentation and disclosure, in separate financial statements, of investments in associates, subsidiaries and jointly controlled entities. The standard will supersede former IAS 27 Consolidated and Separate Financial Statements.

The application of the new standard has no material effect on the Company's financial statements.

- IAS 28 Investments in Associates and Joint Ventures

The new standard was issued on May 12th 2011 and defines how to account for investments in associates. It also outlines how to apply the equity method to investments in associates and jointly controlled entities. The standard will supersede former IAS 28 Investments in Associates.

The application of the new standard has no effect on the Company's financial statements.

- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendment to IAS 32 was issued on December 16th 2011 and applies to annual periods beginning on or after January 1st 2014. The amendment was introduced to remove inconsistencies in the application of offsetting criteria provided for in IAS 32.

The application of the new standard has no material effect on the Company's financial statements.

- Guidelines on transitory provisions (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidelines were issued on June 28th 2012 and provide additional information on the application of IFRS 10, IFRS 11 and IFRS 12, including the presentation of comparative data in the event of the first application of those standards.

The application of these amendments has no material effect on the Company's financial statements.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The guidelines were issued on October 31st 2012 and stipulate different rules governing the application of IFRS 10 and IFRS 12 by entities which are by nature investment funds.

The application of these amendments has no effect on the Company's financial statements.

- Amendment to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets

Amendment to IAS 36 was issued on May 29th 2013 and applies to annual periods beginning on or after January 1st 2014. The amendment modifies the scope of disclosures of impairment of non-financial assets by, for instance, requiring the disclosure of a recoverable amount of an asset (cash-generating unit) exclusively in periods in which an impairment loss was recognised or reversed with respect to such asset (or cash-generating unit). The amended standard also requires wider and more accurate disclosures if recoverable amount is carried at fair value less cost of disposal, and where recoverable amount is determined as fair value less cost of disposal using a discounted cash flow approach, the applied discount rate must be specified (in the case of impairment loss recognition or reversal). The amendment further provides uniform scope of disclosures concerning recoverable amount irrespective of whether it is determined as value in use or fair value less cost of disposal.

The application of these amendments has no material effect on the Company's financial statements.

- Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

Amendment to IAS 39 was issued on June 27th 2013 and applies to annual periods beginning on or after January 1st 2014. The amendment stipulates that there is no need to discontinue hedge accounting if a hedging derivative is novated as a consequence of laws or regulations or the introduction of laws or regulations which trigger a change of the settlement institution, provided certain criteria are met. Amendment to IAS 39 was introduced in response to legislative changes in numerous countries, giving rise to mandatory settlement of existing OTC derivatives and their novation under an agreement with a central counterparty.

The application of these amendments has no effect on the Company's financial statements.

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

IFRIC 21 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 public levy is an activity that triggers the payment of the levy in accordance with applicable legislation.

The Management Board expects that the amendment will not have a material effect on the amounts disclosed in the Group's financial statements.

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

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

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
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
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. 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

Standards and interpretations issued and endorsed for use in the EU but not yet effective

As at the date of these financial statements, the Company had not applied the following standards, amendments to standards and interpretations which were issued and endorsed for use in the EU but not yet effective:

- Annual Improvements to IFRSs (2011–2013 Cycle), effective for reporting periods beginning on or after July 1st 2014.
- Annual Improvements to IFRSs (2010–2012 Cycle), effective for reporting periods beginning on or after July 1st 2014.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions, effective for reporting periods beginning on or after July 1st 2014.

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	**Mar 31 2015**	**Dec 31 2014**	**Mar 31 2014**
Average exchange rate for the period*	4.1489	4.1893	4.1894
Exchange rate effective for the last day of the period	4.0890	4.2623	4.1713

**) 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 cumulative Jan 1–Mar 31**			
	2015	**2014**	**2015**	**2014**
	(PLN '000)		(EUR '000)	
Revenue	110,807	103,983	26,708	24,820
Cost of sales	-80,770	-76,559	-19,468	-18,274
Operating profit/(loss)	7,171	7,500	1,728	1,790
Profit/(loss) before tax	7,986	6,691	1,925	1,597
Net profit/(loss)	5,323	4,222	1,283	1,008
Net cash flows from operating activities	8,474	6,106	2,043	1,457
Net cash flows from investing activities	-3,921	-4,350	-945	-1,038
Net cash flows from financing activities	5,444	5,078	1,312	1,212

	Mar 31 2015	Dec 31 2014	Mar 31 2015	Dec 31 2014
Total assets	566,027	497,519	138,427	116,726
Total liabilities	327,611	248,215	80,120	58,235
including current liabilities	244,691	199,481	59,841	46,801
Equity	238,416	249,305	58,307	58,491
Share capital	3,704	3,704	906	869

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 cumulative Jan 1–Mar 31			
	2015	2014	2015	2014
	(PLN '000)		(EUR '000)	
Revenue	2,712	10,292	654	2,457
Cost of sales	-1,857	-10,591	-448	-2,528
Operating profit/(loss)	-641	-1,248	-154	-298
Profit/(loss) before tax	-724	7,360	-175	1,757
Net profit/(loss)	-1,107	6,902	-267	1,648
Net cash flows from operating activities	-2,800	-3,775	-675	-901
Net cash flows from investing activities	-259	7,328	-62	1,749
Net cash flows from financing activities	-1,129	-1,582	-272	-378
	Mar 31 2015	**Dec 31 2014**	**Mar 31 2015**	**Dec 31 2014**
Total assets	204,241	206,580	49,949	49,311
Total liabilities	51,495	26,341	12,593	6,288
including current liabilities	14,716	16,412	3,599	3,918
Equity	152,747	180,239	37,355	43,024
Share capital	3,704	3,704	906	884

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31ST 2015

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:

	Q1 2015	Q1 2014
Sale of finished goods	105,670	99,370
Sales of merchandise and materials	5,137	4,613
TOTAL sales revenue	**110,807**	**103,983**
Other income	950	1,863
Finance income	2,710	938
TOTAL revenue and income	**114,467**	**106,784**

OPERATING SEGMENTS

The Group's core business consists in manufacture of five key groups of products: vacuum furnaces, aluminium heat exchanger brazing systems, aluminium heat treatment systems and metallurgy equipment used for melting and vacuum casting of metals and specialty alloys. In line with the management reports, the aftersales segment has also been established.

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.

Aftersales

The Aftersales Segment covers the conversion, modernisation and modification of customer-owned equipment, including the equipment manufactured by third parties. This segment also includes sale of spare parts and all aftersales services.

Revenue and net profit/(loss) of operating segments in Jan 1–Mar 31 2015

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*Melting Furnaces*	*Thermal*	*CAB*	*Aluminium Process*	*Aftersales*	*Total*			
Total segment revenue	**23,901**	**23,099**	**22,203**	**15,063**	**4,591**	**20,762**	**109,620**	**-**	**1,187**	**110,807**
Sales to customers accounting for 10% or more of revenue	-	-	-	-						
Total segment expenses	**-18,172**	**-16,797**	**-18,152**	**-10,907**	**-3,542**	**-13,034**	**-80,604**	**-**	**-166**	**-80,770**
Distribution costs	-	-	-	-	-	-	-	-	-7,575	**-7,575**
Administrative expenses	-	-	-	-	-	-	-	-	-15,214	**-15,214**
Operating income	-	-	-	-	-	-	-	-	950	**950**
Operating expenses	-	-	-	-	-	-	-	-	-1,027	**-1,027**
Segment profit/(loss) on operating activities	-	-	-	-	-	-	-	-	7,171	**7,171**
Finance income	-	-	-	-	-	-	-	-	2,710	**2,710**
Finance costs	-	-	-	-	-	-	-	-	-1,814	**-1,814**
Share in profit of associate	-	-	-	-	-	-	-	-	-80	**-80**
Profit before tax	-	-	-	-	-	-	-	-	7,986	**7,986**
Actual tax expense	-	-	-	-	-	-	-	-	-2,763	**-2,763**
Profit/(loss) from continuing operations	-	-	-	-	-	-	-	-	5,223	**5,223**
Loss of control	-	-	-	-	-	-	-	-	-	**-**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-	**-**	-	-	-100	**-100**
Net profit/(loss) for period	-	-	-	-	-	-	-	-	5,323	**5,323**

Revenue and net profit/loss of operating segments in Jan 1–Mar 31 2014

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*Melting Furnaces*	*Thermal*	*CAB*	*Aluminium Process*	*Aftersales*	*Total*			
Total segment revenue	**24,911**	**26,145**	**23,584**	**8,413**	**7,026**	**13,437**	**103,516**	**-**	**467**	**103,983**
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
Total segment expenses	**-17,425**	**-19,680**	**-17,400**	**-5,769**	**-5,316**	**-10,094**	**-75,683**	**-**	**-877**	**-76,559**
Distribution costs		-	-	-	-	-	-	-	-6,565	**-6,565**
Administrative expenses		-	-	-	-	-	-	-	-14,647	**-14,647**
Operating income		-	-	-	-	-	-	-	1,863	**1,863**
Operating expenses		-	-	-	-	-	-	-	-575	**-575**
Segment profit/(loss) on operating activities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,500**
Finance income		-	-	-	-	-	-	-	938	**938**
Finance costs		-	-	-	-	-	-	-	-1,612	**-1,612**
Share in profit of associate		-	-	-	-	-	-	-	-135	**-135**
Profit before tax		-	-	-	-	-	-	-	-	**6,691**
Actual tax expense		-	-	-	-	-	-	-	-2,540	**-2,540**
Profit/(loss) from continuing operations		-	-	-	-	-	-	-	4,151	**4,151**
Loss of control		**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**
Profit/(loss) attributable to non-controlling interests									-71	**-71**
Net profit/(loss) for period									4,222	**4,222**

PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–March 31st 2015, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 3,598 thousand.

Item	Mar 31 2015	Mar 31 2014
Tangible assets	89,747	78,115
Tangible assets under construction	5,399	4,486
Property, plant and equipment	**95,146**	**82,601**

IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Mar 31 2015	Dec 30 2014	Mar 31 2014
Trade receivables	8,475	8,938	3,033
Equity interests	25,565	25,565	-
Inventories	2,665	3,435	3,347

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

In Q1 2015, the SECO/WARWICK Group did not pay or declare any dividends.

INVESTMENT COMMITMENTS

As at March 31st 2015, 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 ADJUSTMENTS

To ensure comparability, the following presentation adjustments were made, which had no effect on the profit/(loss) for the period January 1st-March 31st 2014:

a) adjustment to cash flows, consisting in presentation of cash maintained as security for the Company's investments in an Indian company as non-current,

	BEFORE ADJUSTMENT:	AFTER ADJUSTMENT:
Cash at end of period, including:	**51,209**	**48,368**

b) adjustment to a note on revenue and profit/loss of the operating segments for the period January 1st–March 31st 2014, made to reflect the change in the presentation of the segments in the Company's management accounts, whereby the Aftersales segment was separated:

Before adjustment

Item	Continuing operations						Unallocated items	Total
	Vacuum Furnaces	*Melting Furnaces*	*Thermal*	*CAB*	*Aluminium Process*	*Total*		
Total segment revenue	27,327	28,309	29,074	9,706	7,284	101,701	2,282	103,983
Total segment expenses	-18,806	-21,617	-21,716	-6,786	-5,795	-74,721	-1,839	-76,559

After adjustment

Item	Continuing operations							Unallocated items	Total
	Vacuum Furnaces	*Melting Furnace s*	*Thermal*	*CAB*	*Aluminium Process*	*Aftersales*	*Total*		
Total segment revenue	24,911	26,145	23,584	8,413	7,026	13,437	103,516	467	103,983
Total segment expenses	-17,425	-19,680	-17,400	-5,769	-5,316	-10,094	-75,683	-877	-76,559

OFF-BALANCE SHEET CONSOLIDATED ITEMS

Contingent liabilities

Contingent liabilities under guarantees amounted to PLN 27,647 thousand as at March 31st 2015, and to PLN 25,804 thousand as at December 31st 2014. 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

RESTRUCTURING PROVISIONS

In the period from January 1st–March 31st 2015, 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 Q1 2015

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 or changes in estimates disclosed in previous financial years if they have a material bearing on Q1 2015

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 Q1 2015 results.

Issue, redemption and repayment of debt and equity securities

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 average price per share was PLN 25. The acquisition was financed with an investment credit facility.

Earnings per share

Item	Mar 31 2015	Mar 31 2014
Net profit from continuing operations attributable to shareholders	5,323	4,222
Loss from discontinued operations attributable to shareholders	-	-
Net profit attributable to owners of the parent	5,323	4,222
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	**5,323**	**4,222**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,737,837	10,725,028
Earnings per share	**0.50**	**0.39**
Dilutive effect:		
Number of potential subscription warrants	-	238,373
Number of potential shares issued at market price	-	2,370
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,737,837	10,961,031
Diluted earnings per share	**0.50**	**0.39**

Material events subsequent to the end of Q1 2015, not disclosed in the financial statements for Q1 2015 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**

In Q1 2015, 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 2015 in light of the results presented in the Q1 2015 report**

The SECO/WARWICK Management Board did not publish any forecasts for 2015 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 annual report, i.e. April 29th 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.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the release date of the report, i.e. May 15th 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 publication date of this report, including information on any changes subsequent to the publication of the Q4 2014 report**

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

	Mar 2 2015				May 15 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								
Paweł Wyrzykowski	254,558	2.37%	2.37%	-	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	10	0.0001%	0.0001%	-	10	0.0001%	0.0001%	2
Andrzej Zawistowski	65,000	0.61%	0.61%	-	65,000	0.61%	0.61%	13,000
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
F? proxies								
Piotr Walasek	15,335	0.14%	0.14%	-	15,335	0.14%	0.14%	3,067
Total	231,285	2.15%	2.15%	-	396,285	3.69%	3.69%	79,239

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

In the period from March 2nd to May 15th 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 Q1 2015, 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, i.e. May 15th 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 Q1 2015, including a list of the pertinent events

In Q1 2015, sales rose 7% on Q1 2014, to PLN 110.8m. The highest increases were reported in the CAB furnace segment (up 79%, particularly at SECO/WARWICK Retech, SECO/WARWICK Corporation and SECO/WARWICK Allied) and in the spare parts and services segment (up 55%, at SECO/WARWICK Europe the sales doubled). In other segments, sales fell – by 4% in the Vacuum Furnaces segment, by 6% in the Atmosphere Furnaces segment, by 12% in the Melting Furnaces segment, and by 35% in the Aluminium Process segment.

In Q1 2015, Group companies won orders for a total amount of PLN 253.3m (more than 60% of which were new orders in the Melting Furnaces segment), compared with PLN 128.3m worth of new orders obtained in Q1 2014. These orders will generate revenue in the coming quarters.

In Q1 2015, the Group generated higher gross margin (27.3%) compared with Q1 2014 (26.4%), mostly due to a margin boost in the spare parts and services segment (from 25% to 37%). Distribution costs and administrative expenses rose by 7.5% (PLN 22.8m in Q1 2015 compared with PLN 21.2m a year earlier). This rise was attributable mainly to considerable differences between PLN/USD exchange rates used to translate the results of the companies operating on the US market, between Q1 2015 and Q1 2014 (3.74 and 3.06 respectively, up by 22.2%).

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, i.e. May 15th 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 Q1 2015, 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

Overall headcount at the SECO/WARWICK Group was down 9% year on year, mainly in administration, on the back of organisational restructuring and efforts to adapt to the changing economic environment.

As at the publication date of the Q1 2015 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

With a view to providing additional incentives to the Company's management staff to continue work on the development and consolidation of the SECO/WARWICK Group, and to further increase the value of SECO/WARWICK shares, on April 23rd 2015 the Supervisory Board approved the key objectives of the 2016–2018 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2016–2018 Incentive Scheme").

- The Incentive Scheme is effective for 2016, 2017 and 2018,
- and covers 995,750 Company shares which may be distributed to Eligible Persons.
- Scheme Participants include key members of the Group's management staff who are identified as Scheme Participants in the relevant resolution of the Supervisory Board, and in the period between February 1st 2015 and August 15th 2015 acquire with their own funds, in their own name and for their own account no less than 4,000 and no more than 11,500 Company shares. In the case of the President of the Management Board of SECO/WARWICK SA, the number of shares to be acquired is 100,000. In the case of the President of the Management Board of SECOWARWICK Europe, the largest company of the Group, the number of shares to be acquired is 35,000. The price per share is PLN 25.
- The number of acquired shares and the 3.5 multiple defines the number of potential options which may be granted under the Scheme subject to fulfilment of the conditions specified below.
- Shares for a participant's own account must be acquired no later than on August 15th 2015,
- and may not be sold before June 30th 2022.
- The persons specified in the Supervisory Board's resolution are to declare their intention to participate in the Incentive Scheme by August 31st 2015.
- Participants of the scheme will be assigned individual objectives and a joint objective, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme.
- Achievement of individual objectives is a pre-condition for acquiring rights to 15% of the options in each of the years 2016, 2017 and 2018.
- Achievement of the joint objective is a pre-condition for acquiring rights to 55% of the options in 2016, 2017 and 2018.
- Achievement of the Individual Objectives will be revised on the basis of the Company's audited financial information.
- Achievement of the Individual Objectives will be verified by the Audit Committee by April 30th of each consecutive financial year for the previous financial year.
- Achievement of the Joint Objective will be verified on the basis of the Company's audited financial information for all the financial years between 2016 and 2018.
- Achievement of the Joint Objective will be verified by the Audit Committee by April 30th 2019.
- If a Scheme Participant achieves the Individual Objectives or the Joint Objective, such participant will become eligible to acquire Company Shares in the number and on the terms and conditions specified in the Scheme Rules, and to obtain a Capital Bonus (the "Option").
- Options will vest in accordance with the provisions of agreements to be entered into between the Company and the individual Scheme Participants (the "Option Agreement").
- Rights under Options may not be transferred or encumbered. Such rights are attached to a Scheme Participant and expire upon his/her death.
- An Option entitles a Scheme Participant to purchase Shares at nominal price, in the number specified in the Option Agreement.
- An Option also entitles a Scheme Participant to receive from the Company annual payments whose amount will depend on the amount of dividend paid by the Company for a preceding financial year (the "Capital Bonus").
- The Capital Bonus for a given financial year will be calculated by July 31st of a given financial year, on the basis of a resolution on distribution of the Company's profit and the Company's audited financial information for the previous financial year, based on the following formula:

$$PK_t = \frac{Div_t}{LA} \times LAUP$$

where:

PK_t	–	*the Capital Bonus to be paid in a given financial year,*
Div_t	–	*the amount of dividend to be paid in a given financial year,*
LA	–	*the total number of Company shares participating in dividend payment,*

LAUP – *the number of Company shares that a Scheme Participant is entitled to acquire in the exercise of an Option; Shares already delivered to a Scheme Participant are not taken into account in this calculation;*

- The right to obtain the Capital Bonus expires on or before the last Distribution Date.
- Date of settlement of the acquisition by a Scheme Participant of Company Shares in the exercise of an Option (**Distribution Date**)
  - in the case of Scheme Participants other than the President of the Management Board, the Distribution Date will be: June 30th 2020 – in respect of 33% of Shares receivable by a Scheme Participant, June 30th 2021 – in respect of another 33% of Shares receivable by a Scheme Participant, and June 30th 2022 – in respect of the remaining 33% of Shares receivable by a Scheme Participant;
  - in the case of the Management Board President, the Distribution Date will be August 31st 2019 in respect of all Shares receivable by him.

11. Description of factors and events, especially of a non-recurring nature, with a material bearing on the financial performance in Q1 2015

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 Q1 2015.