THE SECO/WARWICK GROUP

INTRODUCTION TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE PERIODJANUARY 1ST–JUNE 30TH 2012

CONTENTS

GENERAL INFORMATION

I. The Parent

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

Name:		**SECO/WARWICK S.A.**
Legal form:		Joint-stock company (spółka akcyjna)
Registered address:		ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Core business according to the Polish Classification of Business Activities (PKD):		
	28.21.Z	Manufacture of ovens, furnaces and furnace burners,
	33.20.Z	Installation of industrial machinery and equipment,
	28.29.Z	Manufacture of other general-purpose machinery n.e.c.,
	28.24.Z	Manufacture of power-driven hand tools,
	28.99Z	Manufacture of other special-purpose machinery n.e.c.,
	28.94.Z	Manufacture of machinery for textile, apparel and leather production,
	46.14.Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft,
	46.14.Z	Agents involved in the sale of a variety of goods,
	46.69.Z	Wholesale of other machinery and equipment,
	71.12.Z	Engineering activities and related technical consultancy,
	71.20.B	Other technical testing and analysis,
	72.11.Z	Research and experimental development on biotechnology.
National Court Register (KRS) No.:		KRS 0000271014
Industry Identification Number (REGON)		970011679

II. Duration of the Group:

SECO/WARWICK S.A. and other entities of the SECO/WARWICK Group have been registered to operate for an unlimited period of time, except for SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd. established for the period of 27 years.

III. Presented periods

These interim condensed consolidated financial statements cover the period January 1st–June 30th 2012. The comparative data:

- for the interim consolidated statement of financial position is presented as at December 31st 2011 and June 30th 2011,
- for the interim consolidated statement of comprehensive income and the interim consolidated statement of cash flows covers the period January 1st–June 30th 2011,
- for the interim consolidated statement of changes in equity covers the period January 1st –June 30th 2011 and January 1st–December 31st 2011.

IV. Composition of SECO/WARWICK S.A.'s governing bodies

MANAGEMENT BOARD		
Composition of the Management Board as at June 30th 2012	Paweł Wyrzykowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
Composition of the Management Board as at December 31st 2011	Leszek Przybysz Andrzej Zawistowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
SUPERVISORY BOARD		
Composition of the Supervisory Board as at June 30th 2012	Andrzej Zawistowski Henryk Pilarski Jeffrey Boswell James A. Goltz Piotr Kowalewski Piotr Kula Mariusz Czaplicki	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Composition of the Supervisory Board as at December 31st 2011	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Rusiecki Mariusz Czaplicki	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board

On January 12th 2012, Mr Paweł Wyrzykowski was appointed President of the Management Board of SECO/WARWICK S.A., with effect as of February 1st 2012.

On May 25th 2012, the SECO/WARWICK Management Board was notified of Mr Andrzej Zawistowski's decision to resignas Vice-President and Member of the SECO/WARWICK Management Board. The resignation was due to Mr Zawistowski's plans to take the position of Chairman of the SECO/WARWICK Supervisory Board.

On May 25th 2012, the SECO/WARWICK Management Board was notified of Mr Artur Rusiecki's decision to resign as Member of the SECO/WARWICK Supervisory Board, with effect as of May 17th 2012. Mr Rusiecki cited important personal reasons.

On May 28th 2012, Mr Andrzej Zawistowski and Mr James A. Goltz were appointed Members of the Company's Supervisory Board.

V. Auditors

PKF Audyt Sp. z o. o.
ul. Elbląska 15/17
01-747 Warsaw, Poland

VI. Significant shareholders of the parent

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at June 30th 2012:

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at the General Meeting
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%*	1,726,174	16.48%*
Bleauhard Holdings LLC	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000	5.73%*	600,000	5.73%*
OFE POLSAT S.A.	485,974	4.64%*	485,974	4.64%*

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

VII. Subsidiaries

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

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

Other Group companies are:

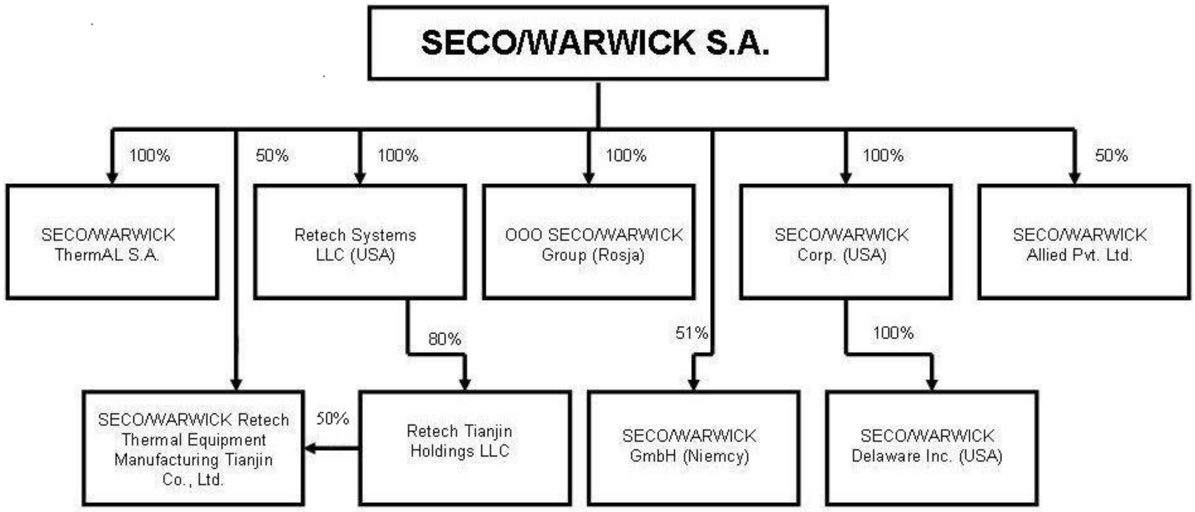
- SECO/WARWICK of Delaware Inc.,

- Retech Tianjin Holdings LLC.

VIII. Associates

- SECO/WARWICK Allied Pvt., Ltd., in which the Parent holds 50% of shares conferring the right to 50% of the total vote at the company's general meeting.

IX. Graphic presentation of the Group:



FINANCIAL HIGHLIGHTS TRANSLATED INTO THE EURO

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	Jun 30 2012	Dec 31 2011	Jun 30 2011
Average exchange rate for the period*	4.2246	4.1401	3.9673
Exchange rate effective for the last day of the period	4.2613	4.4168	3.9866

**) Average of the exchange rates effective for the last day of each month in the period.*

<u>Assets and equity and liabilities in the interim consolidated statement of financial position</u> have been translated at the EUR/PLN exchange rates quoted by the National Bank of Poland for the last day of the period.

Items of <u>the interim consolidated statement of comprehensive income</u> and <u>the interim consolidated statement of cash flows</u> have been translated at 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 interim consolidated statement of financial position, statement of comprehensive income and statement of cash flows disclosed in the interim consolidated financial statements and the comparative data, translated into the euro:

Financial highlights - consolidated

Item	H1 2012	H1 2011	H1 2012	H1 2011
	(PLN '000)		(EUR '000)	
Revenue	230,568	154,723	54,578	39,000
Cost of sales	-175,235	-123,061	-41,480	-31,019
Operating profit/(loss)	19,608	1,939	4,641	489
Profit (loss) before tax	19,180	2,158	4,540	544
Profit (loss), net of tax	12,759	1,089	3,020	275
Net cash flows from operating activities	18,315	9,860	4,335	2,485
Net cash flows from investing activities	-5,312	-2,871	-1,258	-724
Net cash flows from financing activities	-8,448	-9,278	-2,000	-2,339
	Jun 30 2012	**Dec 31 2011**	**Jun 30 2012**	**Dec 31 2011**
Total assets	396,007	390,364	92,931	88,382
Total liabilities	152,897	159,032	35,880	36,006
Including current liabilities	119,113	128,250	27,952	29,037
Equity	243,110	231,332	57,051	52,375
Share capital	3,652	3,652	857	827

The table below presents key items of the interim condensed separate statement of financial position, statement of comprehensive income and statement of cash flows disclosed in the financial statements and the comparative data, translated into the euro:

Separate financial highlights

Item	H1 2012	H1 2011	H1 2012	H1 2011
	(PLN '000)		(EUR '000)	
Revenue	65,639	49,198	15,537	12,401
Cost of sales	-49,313	-38,555	-11,673	-9,718
Operating profit/(loss)	3,509	-2,583	831	-651
Profit (loss) before tax	3,084	-1,487	730	-375
Profit (loss), net of tax	2,415	-1,210	572	-305
Net cash flows from operating activities	16,736	988	3,962	249
Net cash flows from investing activities	-2,714	540	-642	136
Net cash flows from financing activities	-7,833	-689	-1,854	-174
	Jun 30 2012	**Dec 31 2011**	**Jun 30 2012**	**Dec 31 2011**
Total assets	232,926	226,541	54,661	51,291
Total liabilities	58,779	55,210	13,794	12,500
Including current liabilities	43,629	40,958	10,238	9,273
Equity	174,147	171,332	40,867	38,791
Share capital	3,652	3,652	857	827

MANAGEMENT BOARD'S REPRESENTATION

In compliance with the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, the Management Board of the Parent represents that to the best of its knowledge these interim condensed consolidated financial statements and the comparative data have been prepared in compliance with the accounting standards applicable to the Group and give an accurate, fair and clear view of the Group's assets, financial standing and financial performance, and the report on the operations of the Issuer Group gives a fair view of the development, achievements and position of the Issuer Group, and describes the key risks and threats.

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU, and their scope is compliant with the requirements set forth in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. of 2009, No. 33, item 259, as amended).

The Management Board further represents that the entity qualified to audit financial statements that reviewed these semi-annual condensed consolidated financial statements and the semi-annual condensed separate financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the review met the conditions required to issue an impartial and independent review report, in accordance with the applicable provisions of Polish law. In line with the corporate governance principles adopted by the Management Board, the auditor was selected by the Company's Supervisory Board by virtue of Resolution No. 11/2011, concerning selection of the auditor. The Supervisory Board selected the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor's tasks.

Approval of the financial statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of the Parent on August 24th 2012.

Date: August 24th 2012

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE PERIODJANUARY 1ST–JUNE 30TH 2012

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(PLN '000)

Assets	as at Jun 30 2012	as at Dec 31 2011	as at Jun 30 2011
NON-CURRENT ASSETS	**160,750**	**160,853**	**142,727**
Property, plant and equipment	51,071	52,979	52,733
Investment property	415	422	429
Goodwill	64,565	65,116	52,432
Intangible assets	13,799	14,091	13,897
Investments in associates	19,975	18,462	16,602
Financial assets available for sale	3	3	3
Other financial assets	17		52
Deferred tax assets	10,904	9,780	6,580
CURRENT ASSETS	**231,094**	**225,347**	**187,227**
Inventories	30,197	26,034	23,558
Trade receivables	63,546	107,077	57,916
Income tax assets		1,311	
Other current receivables	17,027	11,642	11,709
Prepaid expenses	5,317	2,171	3,282
Financial assets at fair value through profit or loss	419	10	933
Loans and receivables	7		1
Cash and cash equivalents	24,776	20,285	12,772
Contract settlement	89,805	56,817	77,056
ASSETS HELD FOR SALE	**4,164**	**4,164**	**1,654**
TOTAL ASSETS	**396,007**	**390,364**	**331,608**

Equity and liabilities	as at Jun 30 2012	as at Dec 31 2011	as at Jun 30 2011
EQUITY	**243,110**	**231,332**	**198,334**
Equity attributable to owners of the parent	243,059	231,540	198,334
Share capital	3,652	3,652	3,652
Reserve funds	189,136	177,662	177,662
Other components of equity			112
Retained earnings/(deficit)	50,270	50,226	16,908
Non-controlling interests	**51**	**-208**	
NON-CURRENT LIABILITIES	**33,784**	**30,782**	**24,256**
Borrowings and other debt instruments	4,662	5,568	4,815
Financial liabilities	145	113	131
Deferred tax liabilities	19,529	15,654	12,223
Provision for retirement and similar benefits	4,778	4,896	2,667
Prepaid expenses	4,670	4,552	4,420
CURRENT LIABILITIES	**119,113**	**128,250**	**109,018**
Borrowings and other debt instruments	16,980	22,555	21,125
Financial liabilities	1,802	7,342	725
Trade payables	30,240	26,353	23,634
Income tax payable	3,539		
Taxes, customs duties and social security payable	1,313	1,806	3,457
Other current liabilities	6,932	6,007	5,774
Provision for retirement and similar benefits	4,624	5,088	1,587
Other provisions	4,741	4,490	4,571
Prepaid expenses	48,942	54,608	48,145
LIABILITIES HELD FOR SALE			
TOTAL EQUITY AND LIABILITIES	**396,007**	**390,364**	**331,608**

Date: August 24th 2012
Prepared by: Piotr Walasek

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	for the period Jan 1–Jun 30 2012	for the period Jan 1–Jun 30 2011
Revenue, including:	**230,568**	**154,723**
Revenue from sale of finished goods	219,358	154,096
Revenue from sale of merchandise and materials	11,210	627
Cost of sales, including:	**-175,235**	**-123,061**
Finished goods sold	-164,293	-122,661
Merchandise and materials sold	-10,942	-399
Gross profit (loss)	**55,333**	**31,663**
Other income	1,434	1,132
Distribution costs	-11,389	-9,359
Administrative expenses	-25,015	-19,756
Other expenses	-756	-1,742
Operating profit (loss)	**19,607**	**1,939**
Gain (loss) on disposal / result related to loss of control over subordinated entities		-294
Finance income	5,400	2,056
Finance costs	-6,622	-1,686
Share of net profit (loss) of associates	795	143
Profit (loss) before tax	**19,180**	**2,158**
Actual tax expense	-6,714	-1,068
Net profit (loss) from continuing operations	**12,466**	**1,089**
Profit (loss) from discontinued operations		
Profit (loss) attributable to non-controlling interests	-294	
Profit (loss) for financial year, net of tax	**12,759**	**1,089**
Earnings per share (PLN)	1.22	0.10
Weighted average number of shares as at	10,476,210	10,476,210
OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	794	54
Translation reserve	-1,864	-9,830
Actuarial gains/(losses) on a defined benefit retirement plan		
Income tax relating to other comprehensive income	-151	-10
Other comprehensive income, net	**-1,221**	**-9,785**
Total comprehensive income	**11,538**	**-8,696**

Date: August 24th 2012
Prepared by: Piotr Walasek

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (PLN '000)

	for the period Jan 1–Jun 30 2012	for the period Jan 1–Jun 30 2011
OPERATING ACTIVITIES		
Profit (loss) before tax	19,180	2,158
Total adjustments:	**-1,537**	**9,149**
Share of net profit of associates	-795	-143
Depreciation and amortisation	3,523	3,026
Foreign exchange gains (losses)	-493	-1,165
Interest and profit distributions (dividends)	889	759
Profit (loss) on investing activities	1,977	-1,588
Balance-sheet valuation of derivative instruments	-5,423	-1,759
Change in provisions	-267	-2,829
Change in inventories	-3,534	1,427
Change in receivables	37,962	1,450
Change in current liabilities (other than financial liabilities)	4,674	10,034
Change in accruals and deferrals	-40,047	-140
Other adjustments	-2	76
Cash from operating activities	**17,643**	**11,306**
Income tax (paid)/refunded	672	-1,446
Net cash flows from operating activities	**18,315**	**9,860**
INVESTING ACTIVITIES		
Inflows	**785**	**1,749**
Proceeds from disposals of intangible assets and property, plant and equipment	69	203
Other inflows from financial assets	510	3
Cash paid in connection with derivative instruments	207	1,543
Outflows	**6,098**	**4,621**
Investments in intangible assets, property, plant and equipment, and investment property	2,112	4,061
Acquisition of related entities	1,927	52
Cash paid in connection with derivative instruments	2,035	
Other cash used in investing activities	25	508
Net cash flows from investing activities	**-5,312**	**-2,871**

FINANCING ACTIVITIES		
Inflows	**12,572**	**8,784**
Borrowings and other debt instruments	12,572	8,784
Outflows	**21,021**	**18,062**
Repayment of borrowings and other debt instruments	19,930	17,448
Payment of finance lease liabilities	108	150
Interest paid	983	465
Net cash flows from financing activities	**-8,448**	**(9,278)**
Total net cash flow	**4,554**	**(2,290)**
Balance-sheet change in cash, including:	**4,491**	**(1,717)**
- exchange differences on cash and cash equivalents	63	54
Cash at beginning of the period	**20,239**	**14,946**
Cash at end of the period, including:	**24,793**	**12,656**
- restricted cash	7,362	702

Date: August 24th 2012
Prepared by: Piotr Walasek

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

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

	Share capital	Reserve funds	Capital reserve from revaluation of derivatives	Other components of equity	Foreign exchange differences	Retained earnings/(deficit)	Non-controlling interests	Total equity
Equity as at Jan 1 2011	**3,652**	**172,843**	**-17**	**35**	**1,155**	**30,335**		**208,002**
Total comprehensive income for the six months ended Jun 30 2011			44		-9,830	1,089		**-8,697**
Share-based payments				76				**76**
Transfer of previous years' profit/loss to statutory reserve funds		4,819				-4,819		
Distribution of profit (dividend)						-1,048		**-1,048**
Equity as at Jun 30 2011	**3,652**	**177,662**	**27**	**112**	**-8,675**	**25,558**		**198,334**
Equity as at Jan 1 2011	**3,652**	**172,843**	**-17**	**35**	**1,155**	**30,335**		**208,002**
Total comprehensive income for twelve months ended Dec 31 2011			-925		11,135	-923		**9,287**
Distribution of profit (dividend)						-1,048		**-1,048**
Share-based payments				-35				**-35**
Transfer of 2010 earnings		4,819				-4,819		**0**
Net profit						15,093		**15,093**
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						241		**241**
Equity attributable to non-controlling interests in SECO/WARWICK GmbH							-208	**-208**
Equity as at Dec 31 2011	**3,652**	**177,662**	**-942**	**0**	**12,289**	**38,879**	**-208**	**231,332**
Equity as at Jan 1 2012	**3,652**	**177,662**	**-942**	**0**	**12,289**	**38,879**	**-208**	**231,332**
Errors from previous years						-132		**-132**
Total comprehensive income for the six months ended Jun 30 2012			643		-1,864			**-1,221**
Transfer of previous years' profit/loss to statutory reserve funds		11,475				-11,475		**0**
Net profit						12,759		**12,759**
Decrease in interest held in SECO/WARWICK Retech and net profit (loss) attributable to non-controlling interests						113	606	**719**
Net profit (loss) attributable to non-controlling interests of SECO/WARWICK GmbH							-347	**-347**
Equity as at Jun 30 2012	**3,652**	**189,136**	**-299**	**0**	**10,426**	**40,144**	**51**	**243,110**

Date: August 24th 2012
Prepared by: Piotr Walasek

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30TH 2012

I. Compliance with International Financial Reporting Standards

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. As at the date of approval of these financial statements for publication, given the ongoing process of implementation of the IFRS in the European Union and the scope of the Group's business, as far as the accounting policies applied by the Group are concerned there are no differences between the IFRS which have come into force and the IFRS endorsed by the European Union.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

II. Going concern assumption and comparability of accounts

These interim condensed consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the most recent balance-sheet date, i.e. June 30th 2012. As at the date of signing these financial statements, the parent's Management Board was aware of no facts or circumstances that would involve a threat to the Group's continuing as a going concern in the 12 months after the balance-sheet date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

By the date of these interim condensed consolidated financial statements for H1 2012, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. Concurrently, these financial statements do not report any material events related to prior years.

III. Basis of consolidation

a) Subsidiaries

A subsidiary is an entity with respect to which the Group has the power to govern its financial and operating policies. Such power is usually derived from the holding of the majority of the total vote in the entity's governing bodies. While assessing whether the Group controls a given entity, the existence and effect of potential voting rights which may be exercised or converted at a given time are taken into consideration.

Subsidiaries are fully consolidated from the date the Group assumes control over them and cease to be consolidated when the control is lost. Acquisitions of subsidiaries are accounted for with the acquisition method. Acquisition cost is measured as the fair value of the transferred assets, issued equity instruments and liabilities incurred or assumed at the date of exchange. The identifiable assets acquired, as well as the liabilities and contingent liabilities assumed as part of the business combination are initially measured at their respective acquisition-date fair values, irrespective of the value of any non-controlling interests. Any excess of the acquisition cost over the fair value of the Group's interest in the identifiable net assets acquired is recognised as goodwill. If transferred consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised directly in the income statement.

Income and expenses, receivables and payables, and unrealised gains arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated, but only to the extent there is no evidence of impairment of the asset transferred in the transaction. The accounting policies of the subsidiaries have been changed whenever it was deemed necessary to align them with the accounting policies applied by the Group.

b) Non-controlling interests and transactions with minority shareholders

Non-controlling interests are measured as the proportionate interest in the net assets held in a subsidiary by shareholders not related to the Group. In subsequent periods, losses attributable to non-controlling interests are attributed to owners of the parent and non-controlling interests even if, as a consequence, the value of non-controlling interests turns negative.

As a rule, the Group treats transactions with minority shareholders as transactions with third parties not related to the Group.

c) Associates

An associate is an entity over which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20% and 50% of the total vote in an entity’s governing bodies. Investments in associates are accounted for using the equity method and are initially recognised at the value of consideration transferred.

The Group’s share in an associate’s net profit (loss) is recognised in the income statement, and the Group’s share of the movements in the entity’s other capitals after the acquisition date is recognised under other capitals. The carrying amount of the investment is adjusted for the total changes as from the acquisition date.

d) Companies included in the consolidated financial statements

The following Group entities are included in these interim condensed consolidated financial statements for the periods ended June 30th 2012 and June 30th 2011:

Item	% of total vote	
	Jun 30 2012	Jun 30 2011
SECO/WARWICK S.A.	parent	
SECO/WARWICK ThermAL (formerly LZT Elterma S.A.)	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
OOO SECO/WARWICK Group Moscow	100%	100%
Retech Systems LLC	100%	100%
SECO/WARWICK Allied Pvt., Ltd.	50%	50%
SECO/WARWICK Retech Thermal Equipment Manufacturing	90%	100%
SECO/WARWICK GmbH	51%	-

IV. Description of adopted accounting policies, including methods of measurement of assets, equity and liabilities, revenue and expenses

The interim condensed consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value.

These interim condensed consolidated financial statements are presented in the złoty (“PLN”), and unless specified otherwise, all the values are given in thousands of PLN.

The accounting policies and calculation methods applied in the preparation of these financial statements are consistent with those applied in the most recent annual financial statements.

Presentation of financial statements

Presentation of the statement of financial position

In accordance with IAS 1 "Presentation of financial statements", assets and liabilities are presented in the balance sheet as current and non-current.

In accordance with IFRS 5, non-current assets held for sale are presented separately in the balance sheet.

Presentation of the statement of comprehensive income

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

Earnings per share

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

Intangible assets

As intangible assets the Group recognises such assets which are identifiable (they can be separated or sold), are controlled by the entity and are highly probable to bring future economic benefits to the entity.

Intangible assets include mainly software and development expense, and are initially recognised at cost, which includes purchase price, import duties and non-deductible taxes included in the price, decreased by discounts and rebates and increased by all expenditure directly connected with the preparation of the asset for its intended use.

In order to determine whether a self-created intangible asset meets the recognition criteria for an asset, the entity distinguishes two phases in the asset origination process:

- the research phase,
- the development phase.

All costs originating in the first phase are charged directly to expenses of the period.

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 transferred consideration over the acquirer’s share in the fair value of net identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is recognised at cost less cumulative impairment losses. Goodwill is not amortised.

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

Item	Patents and licences	Computer software
Useful life	5–10 years	5–15 years
Method used	Amortised throughout the agreement term using the straight-line method	Amortised using the straight-line method
Origin	Acquired	Acquired
Review for impairment / recoverable value testing	Annual assessment whether there are any indications of impairment	Annual assessment whether there are any indications of impairment

Property, plant and equipment

Property, plant and equipment are carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation is charged using the straight-line method by estimating the useful life of a given asset, which is:

Buildings and structures	from 10 to 40 years
Plant and equipment	from 5 to 30 years
Vehicles	from 5 to 10 years
Other tangible assets	from 5 to 15 years

Non-current assets held under finance lease agreements have been disclosed in the balance sheet equally with other non-current assets and are depreciated in the same way.

The initial values of non-current assets held under finance lease agreements and of the obligations corresponding with such assets have been determined at amounts equal to the discounted value of future lease payments. Lease payments made in the reporting period have been charged against finance lease liabilities in an amount equal to the principal instalment and the excess (the finance charge) has been charged in full to finance expense of the period.

Any gains and losses arising on a sale or liquidation are determined as the difference between the income from the sale and the net value of the tangible assets, and are included in the income statement.

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 balance sheet at cost less impairment losses. Tangible assets under construction are not depreciated.

Investment property

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

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

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

Financial assets and liabilities

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

Financial liabilities include borrowings and other debt instruments, other types of financing, overdraft facilities, financial liabilities at fair value through the statement of comprehensive income, hedging derivatives, trade payables, liabilities to suppliers of tangible assets, and lease liabilities.

Except for investments in subsidiaries, jointly controlled entities and associates, which are carried at cost in accordance with IAS 27 and IAS 28, financial assets and liabilities are recognised and measured in line with IAS 39 "Financial Instruments: Recognition and Measurement".

Recognition and measurement of financial assets

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

Receivables

Trade receivables are recognised and carried at amounts initially invoiced, less any impairment losses on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of a receivable is no longer probable.

If the effect of the time value of money is material, the value of a receivable is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. If the discount method has been applied, any increase in the receivable amount with the passage of time is recognised as finance income.

Other receivables include in particular prepayments made in connection with planned purchases of property, plant and equipment, intangible assets and inventories. As non-monetary assets, prepayments are not discounted.

Cash and cash equivalents

Cash and cash equivalents are held mainly in connection with the need to meet the Group’s current demand for cash rather than for investment or any other purposes.

Cash and cash equivalents include cash in bank accounts, cash in hand, as well as all liquid instruments which may immediately be converted into cash of known amount and in the case of which the risk of value changes is insignificant.

Recognition and measurement of financial liabilities

Liabilities under bank borrowings and other financial liabilities are initially recognised at fair value and then carried at amortised cost using the effective interest rate method.

Transaction costs directly connected with acquisition or issue of a financial liability increase the carrying amount of the liability, because upon initial recognition the liability is recognised at the fair value of amounts paid or received in exchange for the liability. Thereafter, such costs are amortised throughout the term of the liability, using the effective interest rate method.

Hedge accounting

Hedge accounting recognises the offsetting effects on the statement of comprehensive income of changes in the fair value of hedging instruments and the hedged items.

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;
b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (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) The hedging relationship is formally designated and documented, including the entity's risk management objective and strategy for entity the hedge, at the time when the hedge is undertaken. The relevant documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.
b) The hedge is expected to be highly effective in offsetting changes in the fair value or cash flows attributable to the hedged risk, based on the originally documented risk management strategy pertaining to a given hedging relationship.
c) In the case of a cash flow hedge, the contemplated transaction to which the hedge relates is highly probable and exposed to variability in cash flows, which may ultimately affect the statement of comprehensive income.
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item attributable to the hedged risk, as well as the fair value of the hedging instrument, can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Inventories

Inventories are measured at cost, using a weighted average cost formula. Any downward adjustment of the value of inventories to the net selling price is made through recognition of impairment losses. Furthermore, inventories that are slow-moving or which have become obsolete or whose usability has become in any way limited, are revalued as at the end of each financial year. If the circumstances leading to a decrease in the value of inventories cease to apply, a reverse adjustment is made, i.e. inventories are remeasured at their pre-impairment value.

Impairment losses on inventories and stock-taking discrepancies are charged to cost of products sold.

Deferred income tax

In line with IAS 12 "Income Taxes", deferred income tax is determined using the liability method and recognised in the financial statements for all temporary differences between the carrying amounts of assets and liabilities and their tax values, as well as for any unused tax loss carry-forwards. Deferred tax assets are recognised for temporary differences to the extent it is probable that the assets will be realised and that taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed as at each balance-sheet date. Any previously unrecognised deferred tax assets are recognised to the extent it is probable that there will be future taxable income against which the assets can be realised.

Deferred tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries and associates only to the extent it is probable that:

- the temporary differences will reverse in the foreseeable future, and

- taxable profit will be available against which the temporary differences can be utilised.

In line with IAS 12, deferred tax assets and liabilities are not discounted. Deferred income tax is determined based on the tax rates that have been enacted or substantively enacted as at the balance-sheet date.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets, but only when it is practically certain to occur.

The cost related to a given provision is recognised in the statement of comprehensive income net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method has been applied, any increase in the provision with the passage of time is charged to finance expenses.

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

Provisions are reviewed at each balance-sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group creates the following provisions:

- provision for warranty repairs – on the basis of the historical cost of warranty repairs;
- provision for unused holidays – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay;
- provision for retirement benefits and length-of-service awards – calculated by actuaries;
- provision for employee benefits – bonus payments, salaries and wages;
- provision for probable costs related to the current financial year which will only be invoiced in the following year (accrued expenses). Depending on the type of accrued expenses, they are charged to costs of products sold, selling costs or general and administrative expenses;
- provision for a defined benefit plan. Fixed contributions are paid to a separate entity (a fund), as a consequence of which the actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) are borne by the Group.

Assumptions underlying the estimates and the provision amounts are reviewed as at each balance-sheet date.

Accruals and deferred income

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

Accrued expenses

The Group recognises accrued expenses at probable values of current-period liabilities arising in particular under:

- services provided to the Group by its business partners, where the liability can be reliably estimated,
- up to the estimated contract revenue, advances received under construction contracts reduce the receivables under settlement of long-term contracts.

Deferred and accrued income

Deferred/accrued income includes primarily government grants intended to finance assets and revenue, as well as any excess of estimated revenue related to the stage of completion of a long-term contract, in accordance with IAS 11, over advances received.

Government grants are disclosed in the statement of financial position at the amount of funds received and then recognised as income over the periods necessary to match them with the related costs they are intended to compensate, on a systematic basis. Government grants are not credited directly to equity.

Accruals and deferrals settled over a period longer than 12 months as from the balance-sheet date are classified as non-current accruals and deferrals, whereas those settled over a period of 12 months or shorter are classified as current accruals and deferrals.

Functional currency and presentation currency

a) Functional currency and presentation currency

Items of the financial statements are measured in the currency of the primary economic environment in which the Company operates ("functional currency"). The financial statements are presented in the Polish złoty (PLN), which is the functional currency and the presentation currency of the Group.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions, as well as from balance-sheet valuation of monetary assets and liabilities expressed in foreign currencies, are recognised in the income statement, unless they are taken to equity (when they qualify for recognition as cash flow hedges or hedges of net investments).

V. Material judgments and estimates

In view of the fact that many items presented in the interim condensed 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 June 30th 2012 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 unused holidays

Provision for accrued employee holidays is determined based on the number of days of accrued unused holidays as at the end of the reporting period.

Provision for old-age and disability retirement benefits

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

Provision for warranty repairs

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

Long-term contracts

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

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

The amount of such a loss is determined irrespective of: whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts which are not treated as single construction contracts in accordance with IAS 11:9.

The Group applies the above rules to account for commercial contracts related to the Group’s core business whose performance terms exceed three months and whose total value is material from the point of view of reliability of the financial statements (revenue, expenses, and the financial result). The Group accrues only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted to account for any subsequent amendments to the original contract (annexes), or which constitutes any other revenue closely related to the project. Any changes of the contract revenue are taken into account if it is certain (i.e. a contract or annexes to a contract have been signed) or at least highly probable (i.e. annexes to a contract or preliminary contracts have been initialled) that the client will accept the amendments and the revenue amounts provided for in the amendments, and such revenue can be reliably measured. The stage of completion of a contract is determined by reference to the contract costs actually incurred in the reporting period and documented by appropriate accounting evidence, and the costs of business partners not yet invoiced.

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

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

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

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

Subjective judgement

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

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

Subjective judgements as at June 30th 2012 were made with respect to contingent liabilities and provisions for claims.

VI. Changes in accounting policies

The accounting policies applied when preparing annual consolidated financial statements are consistent with the accounting policies used to draw up the annual consolidated financial statements for the year ended December 31st 2011, save for the following amendments to standards and interpretations effective for periods beginning on January 1st 2012.

The Group did not choose to apply early any new standards and interpretations which have already been issued and endorsed by the European Union but will be effective after the balance-sheet date.

- **Amendment to IFRS 7 "Financial Instruments: Disclosure – Transfers of Financial Assets"**

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

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

- **Amendments to IAS 12 "Income Tax – deferred tax – recovery of underlying assets"**

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

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

VII. New standards to be applied by the Group

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

- **IFRS 9 "Financial Instruments" –**(effective for annual periods beginning on or after January 1st 2013),
- **Amendments to IAS 12 "Income Tax" – deferred tax** – recovery of underlying assets (effective for annual periods beginning on or after January 1st 2012).
- **IFRS 10 "Consolidated Financial Statements "**(effective for annual periods beginning on or after January 1st 2013),
- **IFRS 11 "Joint Arrangements"**(effective for annual periods beginning on or after January 1st 2013)
- **IFRS 12 "Disclosure of Interests in Other Entities"**(effective for annual periods beginning on or after January 1st 2013),
- **IFRS 13 "Fair Value Measurement"**(effective for annual periods beginning on or after January 1st 2013),
- **IAS 27 (revised 2011) "Separate Financial Statements " –** (effective for annual periods beginning on or after January 1st 2013),
- **IAS 28**(**revised 2011) "Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after January 1st 2013),
- **Amendments to IFRS 1 "First-Time Adoption of IFRS"–severe hyperinflation and removal of fixed dates for first-time adopters (effective for annual periods beginning on or after July 1st 2011),**
- **Amendments to IAS** 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after July 1st 2012),

- **Amendments to IAS 19 "Employment Benefits"** – adjustments to accounting for post-employment benefits (effective for annual periods beginning on or after January 1st 2013).
- **IFRIC 20 "Stripping Cost of the Production Phase of a Surface Mine"** – accounting for costs of stripping activity in the production phase of surface mining (effective for annual periods beginning on or after January 1st 2013),

The Management Board does not expect the above standards and interpretations to have any significant effect on the accounting policies applied by the Group, save for the need to make certain additional or new disclosures. The Management Board of the parent is in the process of analysing the consequences and effects of applying these new standards and interpretations on its financial statements.

THE SECO/WARWICK GROUP

NOTES AND SUPPLEMENTARY NOTES TO THE INTERIM

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30TH 2012

1. REVENUE

As provided for under IAS 18, revenue from sales of finished goods, merchandise, materials and services, net of VAT, discounts and rebates, is recognised when the entity has transferred to the buyer the significant risks and rewards incidental to their ownership.

Revenue and total revenue and income of the Group:

Item	H1 2012	H1 2011
Sales of products	219,358	154,096
Sale of merchandise and materials	11,210	627
TOTAL revenue	**230,568**	**154,723**
Other income	1,434	1,132
Finance income	5,400	2,056
TOTAL revenue and income	**237,402**	**157,912**

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. Use of vacuum furnaces brings economic benefits. They are also environmentally friendly.

Aluminium heat exchanger brazing systems (CAB)

The CAB systems are used primarily in the automotive industry for brazing heat exchangers mounted in passenger cars and trucks (charge air coolers, air conditioning evaporators and condensers, oil coolers, etc.). Outside the automotive industry, CAB processes are used in the manufacture of IC radiators, steam condensers for CHP plants, exhaust gas heat exchangers for power generators, etc.

Atmosphere furnaces (Thermal)

Atmosphere furnaces are widely used in the process of thermal and thermochemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for thermochemical treatment are employed in the gas carburising, gas nitriding and other processes. Such furnaces are used chiefly by the automotive and metal industries, including for the manufacturing of anti-friction bearings, as well as for use in commercial hardening plants and specialty industries.

Aluminium heat treatment systems (Aluminium Process)

The SECO/WARWICK Group specialises in a selected range of aluminium heat treatment processes, which generally offer a plethora of applications. The Aluminium Process solutions offered by the Group are used in the production of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. In addition, the Aluminium Process systems are used to heat treat aluminium castings.

Melting furnaces

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

The different types of melting furnaces include melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines, and medical implants).

Melting furnaces may also be used as an element of the globally-unique processes involving disposal of hazardous waste (such as nuclear by-products).

Other

Reportable geographical segments, delineated based on the geographical location of the respective sales markets, are as follows:

- domestic market (Poland),
- the EU market (excluding Poland),
- the Russian market and markets of other former members of the Soviet Union (Russia, Belarus, Ukraine),
- the US market,
- the Asian market,
- other countries.

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.

2. OPERATING SEGMENTS H1 2012

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**45,712**	**22,590**	**27,884**	**21,322**	**96,563**	**214,071**		**16,497**	**230,568**
External sales, including:									
Total segment expenses	**-33,814**	**-16,431**	**-20,887**	**-16,259**	**-75,735**	**-163,126**		**-12,109**	**-175,235**
Administrative expenses								-25,015	**-25,015**
Distribution costs								-11,389	**-11,389**
Operating income								1,434	**1,434**
Operating expenses								-756	**-756**
Segment profit/(loss) on operating activities	**11,898**	**6,159**	**6,998**	**5,063**	**20,828**	**50,946**			**19,608**
Finance income								5,400	**5,400**
Net finance costs								-6,622	**-6,622**
Pre-tax profit									**18,385**
Actual tax expense								-6,715	**-6,715**
Profit/(loss) from continuing operations									**11,670**
Loss of control									**0**
Share in profit of associate								795	**795**
Profit (loss) attributable to non-controlling interests								294	**294**
Net profit/(loss) for period									**12,759**

OPERATING SEGMENTS H1 2012

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**26,722**	**12,666**	**35,881**	**10,174**	**54,247**	**139,689**		**15,034**	**154,723**
External sales, including:	26,722	12,666	35,881	10,174	54,247	139,689		15,034	154,723
- sales to customers who account for 10% or more of total revenue					21,221	21,221			21,221
Inter-segment sales									
Total segment expenses	**-20,896**	**-8,969**	**-28,337**	**-8,341**	**-45,994**	**-112,538**		**-10,523**	**-123,061**
Administrative expenses								-19,756	-19,756
Distribution costs								-9,359	-9,359
Operating income								1,132	1,132
Operating expenses								-1,742	-1,742
Profit/(loss) from continuing operations before tax and finance costs	**5,826**	**3,696**	**7,543**	**1,833**	**8,253**	**27,151**			**1,939**
Gain (loss) on disposal / result related to loss of control over subordinated entities								-294	-294
Finance income								2,056	2,056
Finance expenses								-1,686	-1,686
Share in profit of associate								143	143
Profit (loss) before tax									**2,158**
Actual tax expense									-1,068
Net profit/(loss) for period									**1,089**

3. GEOGRAPHICAL SEGMENTS H1 2012

Item	EU	Russia, Belarus and Ukraine	Other	US	Asia	Poland	Total
Total revenue	**65,640**	**27,310**	**4,034**	**86,366**	**35,029**	**12,188**	**230,568**
External sales – continuing operations:	65,640	27,310	4,034	86,366	35,029	12,188	230,568
External sales – discontinued operations	-	-	-	-	-	-	**-**

GEOGRAPHICAL SEGMENTS H1 2012

Item	EU	Russia, Belarus and Ukraine	Other	US	Asia	Poland	Total
Total revenue	**48,528**	**3,844**	**3,134**	**36,231**	**39,419**	**23,567**	**154,723**
External sales – continuing operations:	48,528	3,844	3,134	36,231	39,419	23,567	**154,723**
External sales – discontinued operations	-	-	-	-	-	-	**-**

4. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1 – Jun 30 2012	Jan 1 – Jun 30 2011
Interest income	123	373
Gain on derivative instruments at maturity	139	1,542
Balance-sheet valuation of derivative instruments	5,123	140
Net foreign exchange gains		
Other	15	
Total finance income	**5,400**	**2,055**

FINANCE COSTS	Jan 1 – Jun 30 2012	Jan 1 – Jun 30 2011
Interest on bank borrowings	953	831
Loss on derivative instruments at maturity	1,828	
Balance-sheet valuation of derivative instruments		
Net foreign exchange losses	3,711	541
Other	130	314
Total finance costs	**6,622**	**1,686**

5. ASSETS HELD FOR SALE

On October 8th 2010, the Board of Directors of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. executed an agreement providing for sale to the Chinese shareholder Tianjin Kama Electric Thermal Equipment Manufacturing Co., Ltd. of a 25% equity interest in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. held by SECO/WARWICK Corp. for USD 300 thousand and a 25% equity interest held by SECO/WARWICK S.A. also for USD 300 thousand. Initially, it was agreed that the transaction would be finalised by December 31st 2010. However, this arrangement had not been met by the Chinese partner. Therefore, a new payment schedule was agreed. An annex to the original agreement was also signed, providing for a potential dissolution of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. if payments are not made as scheduled. The President of SECO/WARWICK (Tianjin) Industrial Furnace Co. completed the first stage of the transaction concerning change of the company's name.

As the parent expects to encounter difficulties in collecting the cash owed, in keeping with the principle of prudence in accounting, an impairment loss was recognised on the interest in an amount of up to the cash received so far from the Chinese owner of KAMA Eletric Thermal Equipment Manufacturing Co.

The shares in SECO/WARWICK Tianjin were accounted for in the statement of financial position as assets held for sale of PLN 786 thousand.

Held-for-sale assets are presented by the Group as a separate item of assets.

Item	Jun 30 2012	Dec 31 2011
Plant and equipment	3,377	3,377
Financial assets	786	786
Assets held for sale	**4,164**	**4,164**

As at June 30th 2012, the value of plant and equipment carried by the Group as property, plant and equipment held for sale was PLN 3,377 thousand. As the Management Board expects the said assets to be sold by the end of the financial year 2012, they were recognised as assets held for sale to ensure compliance with IFRS 5.

6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares by the weighted average number of outstanding ordinary shares in that period.

Diluted earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of outstanding ordinary shares in that period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

Item	Jun 30 2012	Jun 30 2011
Net profit on continuing operations attributable to shareholders	12,759	1,089
Loss on discontinued operations attributable to shareholders		
Net profit attributable to owners of the parent	12,759	1,089
Interest on redeemable preference shares convertible into ordinary shares		
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	**12,759**	**1,089**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	10,476,210	10,476,210
Earnings per share	**1.22**	**0.10**
Dilutive effect:		
Number of potential subscription warrants for 2010-2011		20,500
Number of potential shares issued at market price		18,243
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	10,476,210	10,478,467
Diluted earnings per share	**1.22**	**0.10**

7. PROPERTY, PLANT AND EQUIPMENT

Item	Jun 30 2012	Dec 31 2011	Jun 30 2011
Tangible assets	49,656	51,427	49,215
Tangible assets under construction	1,415	1,552	3,518
Prepayments for tangible assets under construction			
Property, plant and equipment	**51,071**	**52,979**	**52,733**

Changes in property, plant and equipment (by type) in the period January 1st–June 30th 2011

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2011	**2,361**	**27,298**	**33,272**	**5,678**	**2,939**	**71,548**
Increase, including:		**233**	**1,784**	**926**	**118**	**3,061**
Assets acquired		233	1,784	865	118	**3,000**
Assets generated internally						
Lease agreements concluded				61		**61**
Other						
Decrease, including:			**236**	**170**	**60**	**466**
Disposals			140	170	28	**338**
Liquidation			96		32	**128**
Other						
Gross carrying amount as at Jun 30 2011	**2,361**	**27,531**	**34,820**	**6,434**	**2,997**	**74,143**
Cumulative depreciation as at Jan 1 2011		**4,733**	**12,085**	**2,740**	**1,428**	**20,987**
Increase, including:		**543**	**1,442**	**407**	**164**	**2,557**
Depreciation		543	1,442	407	164	**2,557**
Revaluation						
Other						
Decrease, including:			**137**	**121**	**42**	**300**
Sale			41	121	6	**168**
Liquidation			96		36	**132**

Revaluation						
Cumulative depreciation as at Jun 30 2011	**0**	**5,276**	**13,390**	**3,026**	**1,550**	**23,243**
Impairment losses as at Jan 1 2011			487			**487**
Impairment losses as at Jun 30 2011			487			**487**
Net exchange differences on translation of financial statements into presentation currency	-30	-237	-934	18	-14	**-1,197**
Net carrying amount as at Jun 30 2011	**2,331**	**22,018**	**20,009**	**3,426**	**1,432**	**49,215**

Changes in property, plant and equipment (by type) in the period January 1st–December 31st 2011

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2011	**2,361**	**27,298**	**33,272**	**5,678**	**2,939**	**71,548**
Increase, including:		**267**	**6,168**	**1,184**	**161**	**7,780**
Assets acquired		63	3,805	1,035	161	**5,064**
Assets generated internally		204	2,363			**2,567**
Lease agreements concluded				149		**149**
Tangible assets of acquired companies						
Other						
Decrease, including:			**4,394**	**240**	**77**	**4,711**
Disposals			80	240	37	**357**
Liquidation			937		40	**977**
Loss of control						
Reclassification – assets for sale			3,377			**3,377**
Gross carrying amount as at Dec 31 2011	**2,361**	**27,565**	**35,046**	**6,622**	**3,023**	**74,617**

Cumulative depreciation as at Jan 1 2011		**4,733**	**12,085**	**2,740**	**1,428**	**20,987**
Increase, including:		**1,000**	**3,321**	**881**	**257**	**5,459**
Depreciation		1,000	3,321	881	257	**5,459**
Revaluation						
Tangible assets of acquired companies						
Other						
Decrease, including:			**505**	**195**	**50**	**750**
Sale			57	195	20	**272**
Liquidation			448		30	**478**
Loss of control						
Revaluation						
Cumulative depreciation as at Dec 31 2011		**5,733**	**14,901**	**3,426**	**1,635**	**25,696**
Impairment losses as at Jan 1 2011			487			**487**
Impairment losses as at Dec 31 2011						
Net exchange differences on translation of financial statements into presentation currency	94	988	1,283	139	1	**2,506**
Net carrying amount as at Dec 31 2011	**2,455**	**22,819**	**21,428**	**3,335**	**1,389**	**51,427**

Changes in property, plant and equipment (by type) in the period January 1st–June 30th 2012

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2012	**2,361**	**27,565**	**35,046**	**6,622**	**3,023**	**74,617**
Increase, including:		**294**	**741**	**182**	**108**	**1,324**
Assets acquired		294	722	74	108	**1,197**
Assets generated internally						

Lease agreements concluded				108		**108**
Other			19			**19**
Decrease, including:		**8**	**46**	**236**	**4**	**295**
Disposals			21	236		**257**
Liquidation			19		4	**23**
Other		8	6			**15**
Gross carrying amount as at Jun 30 2012	**2,361**	**27,850**	**35,741**	**6,568**	**3,126**	**75,646**
Cumulative depreciation as at Jan 1 2012		**5,733**	**14,901**	**3,426**	**1,635**	**25,696**
Increase, including:		**585**	**1,698**	**394**	**125**	**2,802**
Depreciation		585	1,698	394	125	**2,802**
Revaluation						
Other						
Decrease, including:			**43**	**160**	**4**	**207**
Sale			16	160		**176**
Liquidation			21		4	**25**
Revaluation			6			**6**
Cumulative depreciation as at Jun 30 2012		**6,318**	**16,557**	**3,661**	**1,756**	**28,292**
Impairment losses as at Jan 1 2012						
Impairment losses as at Jun 30 2012						
Net exchange differences on translation of financial statements into presentation currency	89	937	1,155	131	-11	**2,302**
Net carrying amount as at Jun 30 2012	**2,450**	**22,469**	**20,339**	**3,038**	**1,359**	**49,656**

No impairment losses on tangible assets were recognised in the period from January 1st to June 30th 2012.

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2011	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2011*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
3,177	**1,947**	220	233	865	91	198	**3,518**
Tangible assets under construction as at Jan 1 2011	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2011*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
3,178	**8,644**	243	3,096	915	147	5,869	**1,552**
Tangible assets under construction as at Jan 1 2012	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2012*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
1,552	**1,861**	246	1,591	70	92	-	**1,415**

8. IMPAIRMENT LOSSES ON ASSETS

Impairment losses	30.06.2012	Dec 31 2011	Jun 30 2011
Intangible assets	-	-	-
Trade receivables	2,512	2,561	1,393
Equity interests	1,088	1,088	656
Tangible assets	-	-	486
Inventories	2,664	1,737	1,583

9. INVENTORIES

Item	Jun 30 2012	Dec 31 2011	Jun 30 2011
Materials (at cost)	21,019	18,185	15,595
Semi-finished products and work in progress	7,911	6,490	5,528
Finished products	1,091	1,179	2,266
Merchandise	176	180	169
Total inventories (carrying amount)	**30,197**	**26,034**	**23,558**
Impairment losses on inventories	2,664	1,737	1,583
Inventories, gross	**32,861**	**27,771**	**25,141**

CHANGES IN IMPAIRMENT LOSSES ON INVENTORIES

IMPAIRMENT LOSSES	Jun 30 2012	Dec 31 2011	Jun 30 2011
Opening balance	**1,737**	**1,643**	**1,643**
Increase, including:	**961**	**134**	
- impairment losses recognised in correspondence with other expenses	961		
Net exchange differences on translation of financial statements into presentation currency		134	
Decrease, including:	**34**	**41**	**2**
- impairment losses reversed in correspondence with other income	26	41	2
Net exchange differences on translation of financial statements into presentation currency	8		58
Closing balance	**2,664**	**1,737**	**1,583**

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

In H1 2012, the SECO/WARWICK Group did not pay or declare any dividend.

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

11. GOODWILL

The table below presents increases/decreases in goodwill on consolidation of subsidiaries SECO/WARWICK Corporation and Retech Systems LLC using the full method.

Item	*Jun 30 2012*	*Dec 31 2011*	*Jun 30 2011*
Consolidation goodwill at beginning of period	65,116	58,000	58,000
Increase in consolidation goodwill – acquisition of Retech Systems LLC			
Exchange differences on translation of goodwill	-551	7,116	-5,569
Decrease in goodwill – recognised impairment losses			
Decrease in goodwill – sale			
Total goodwill at end of period	**64,565**	**65,116**	**52,431**

12. INVESTMENTS IN SUBORDINATED UNDERTAKINGS

Investments in equity-accounted subsidiaries, jointly controlled entities and associates

Company	Carrying amount of shares as at Jun 30 2012	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
SECO/WARWICK ThermAL	7,657	100%	100%	full	61,209	28,937	37,950	2,606
SECO/WARWICK Corporation	21,806	100%	100%	full	48,560	40,544	40,562	321
SECO/WARWICK Moscow	172	100%	100%	full	1,209	995	10,368	-354
RETECH Systems LLC	50,863	100%	100%	full	76,343	36,689	91,616	6,808
SECO/WARWICK ALLIED	12,921	50%	50%	equity	61,517	39,652	38,966	1,590
SECO/WARWICK Retech	3,370	90%	90%	full	12,059	5,996	7,595	438
SECO/WARWICK GmbH	849	51%	51%	full	909	1,245	53	-689
Company	**Carrying amount of shares as at Dec 31 2011**	**Ownership interest (%)**	**% of the total vote**	**Method of consolidation**	**Assets**	**Liabilities**	**Revenue**	**Net profit/ loss**
SECO/WARWICK ThermAL	7,657	100%	100%	full method	72,487	42,933	84,261	7,305
SECO/WARWICK Corporation	21,806	100%	100%	full	43,412	35,665	54,517	330
SECO/WARWICK Moscow	172	100%	100%	full method	2,966	2,391	2,286	-341
RETECH Systems LLC	50,863	100%	100%	full method	65,100	32,272	122,849	4,272
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	64,607	46,951	59,418	2,238
SECO/WARWICK Retech	2,573	100%	100%	full method	8,875	3,995	6,350	-1,155
SECO/WARWICK GmbH	849	51%	51%	full method	1,414	1,041	0	-600

Company	Carrying amount of shares as at Jun 30 2011	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
SECO/WARWICK ThermAL	7,657	100%	100%	full	61,663	38,903	29,384	322
SECO/WARWICK Corporation	21,806	100%	100%	full	30,239	23,404	25,521	48
SECO/WARWICK Moscow	172	100%	100%	full	3,258	2,380	379	9
RETECH Systems LLC	50,863	100%	100%	full	58,314	33,303	57,814	2,573
SECO/WARWICK ALLIED	10,995	50%	50%	equity	44,000	39,306	21,266	286
SECO/WARWICK Retech	1,751	100%	100%	full	4,308	2,053	2,640	-625

13. LONG-TERM CONTRACTS

Item	Jun 30 2012	Dec 31 2011	Jun 30 2011
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	479,643	481,248	302,989
Prepayments received	-429,380	-463,123	-260,326
Excess of received advances over revenue recognised using the percentage of completion method	39,542	38,691	34,392
Contract settlement, total	**89,805**	**56,816**	**77,056**

14. INVESTMENT COMMITMENTS

As at June 30th 2012, the Group had investment commitments concerning property, plant and equipment in the amount of PLN 71 thousand. These amounts were used to purchase new plant and equipment.

15. LOANS

In 2012, SECO/WARWICK ThermAL S.A. advanced a loan to a natural person.

	Jun 30 2012	Dec 31 2011	Jun 30 2011
Increase in loans advanced, including:	24	-	1
- non-current	17	-	-
- current	7	-	1

On February 22nd 2010, SECO/WARWICK S.A. advanced a PLN 4,000 thousand loan to its subsidiary, SECO/WARWICK ThermAL S.A. The loan bears 6% annual interest rate. On December 29th 2011, PLN 2,000 thousand of the loan was repaid. The loan was repaid in full on April 30th 2012.

On July 1st 2011, SECO/WARWICK S.A. advanced a EUR 100 thousand loan (carrying amount: PLN 442 thousand) to its subsidiary, SECO/WARWICK GmbH. The loan bears 5% annual interest rate (the value of the loan was eliminated in consolidation).

In 2011 and H1 2012 no loans were advanced by the Group to members of the management and supervisory boards.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Jun 30 2012		Dec 31 2011		Jun 30 2011	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	419	1,599	10	7,106	933	394
Total financial assets and liabilities at fair value through profit or loss	**48**	**857**	**10**	**7,106**	**933**	**394**
- non-current						
- current	48	857		7,106		394
Total financial assets and liabilities at fair value through equity	**371**	**742**		**-942**		**44**
- non-current						
- current	**371**	**742**		-942		44

Disclosures concerning derivative financial instruments which meet the hedge accounting criteria

SECO/WARWICK S.A. uses currency forwards and zero-cost collars established by writing a put option and buying a call option to hedge an average of 60% of its EUR-denominated cash flows generated from export sales, and up to 60% of its USD-, GBP-, and CZK-denominated cash flows. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of the EUR-, USD-, GBP-, or CZK-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria provided for in IAS 39:88 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects the income statement, any negative valuation previously recognised inequity is reclassified into the income statement. Fair value of currency forward contracts was determined by the bank which is party to the transaction.

The table below presents details of each hedging relationship at SECO/WARWICK S.A. as at June 30th 2012.

Jun 30 2012	Notional amount of contract with business partner (EUR'000)	Original notional amount of hedging instrument (EUR'000)	Notional amount of hedging instrument as at Jun 30 2012 (EUR '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	1,290.00	720.00	340.00	-36.13	-36.01	-0.12	Aug 31 2012
2	1,710.00	1,190.00	1,190.00	-284.22	-237.27	-46.95	Nov 30 2012
3	1,830.93	400.00	170.00	31.10	29.30	1.80	Dec 24 2012
4	415.00	250.00	250.00	-3.14	-3.02	-0.12	Nov 30 2012
5	662.40	3,900.00	390.00	-7.18	-4.95	-2.24	Dec 31 2012
6	753.00	450.00	450.00	-5.65	-0.59	-5.05	Nov 30 2012
7	640.00	370.00	370.00	-3.61	-2.86	-0.76	Oct 30 2012
8	680.00	408.00	408.00	-7.52	-4.76	-2.76	Dec 31 2012
9	465.00	270.00	270.00	-4.97	-3.58	-1.39	Dec 31 2012
10	432.93	260.00	260.00	-4.79	-3.45	-1.34	Dec 31 2012
11	420.13	250.00	250.00	-4.60	-3.71	-0.90	Dec 31 2012
12	577.75	375.00	375.00	-29.09	-21.04	-8.04	Dec 31 2012
13	1,499.75	900.00	900.00	-39.91	-2.94	-36.97	Apr 11 2013

14	273.00	120.00	120.00	-3.81	-1.23	-2.58	Oct 1 2012
15	741.00	480.00	480.00	-30.97	-4.48	-26.49	Jan 31 2013
TOTAL		**10,343**	**6,223**	**-434**	**-301**	**-134**	

Jun 30 2012	Notional amount of contract with business partner (USD'000)	Original notional amount of hedging instrument (USD'000)	Notional amount of hedging instrument as at Jun 30 2012 (USD '000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	835.00	585.00	200.00	-103.25	-101.02	-2.23	Aug 30 2012
2	835.60	500.00	500.00	-235.89	-235.89	0.00	Oct 2 2012
3	1,305.60	550.00	550.00	-75.62	-6.18	-69.44	Jul 31 2013
4	5,219.08	3,100.00	2,950.00	-399.73	-32.38	-367.36	Apr 30 2013
5	1,260.57	800.00	800.00	-195.43	-28.71	-166.72	Apr 2 2013
6	726.10	435.00	435.00	14.99	1.85	13.14	Mar 29 2013
7	839.04	500.00	500.00	16.79	0.90	15.89	May 15 2013
8	2,370.14	1,425.00	1,425.00	102.82	0.00	102.82	Apr 30 2013
9	3,308.41	1,985.00	1,985.00	143.23	0.00	143.23	Apr 30 2013
TOTAL		**9,880**	**9,345**	**-732**	**-401**	**-331**	

Jun 30 2012	Notional amount of contract with business partner (CZK'000)	Original notional amount of hedging instrument (CZK'000)	Notional amount of hedging instrument as at Jun 30 2012 (CZK'000)	Fair value of hedging instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	26,000.00	15,600.00	15,600.00	32.33	3.87	28.45	Dec 31 2012
TOTAL		**15,600**	**15,600**	**32**	**4**	**28**	

SECO/WARWICK ThermAL S.A. uses currency forwards and zero-cost collars established by writing a put option and buying a call option to hedge an average of 80% of its EUR-denominated cash flows generated from export sales and up to 90% of its USD- and GBP-denominated cash flows. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of the EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria provided for in IAS 39:88 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects the income statement, any negative valuation previously recognised in equity is reclassified into the income statement. Fair value of currency forward contracts was determined by the bank which is party to the transaction.

The table below presents details of each hedging relationship at SECO/WARWICK ThermAL S.A. as at June 30th 2012.

Jun 30 2012	**Notional amount of contract with business partner (EUR'000)**	**Original notional amount of hedging instrument (EUR'000)**	**Notional amount of hedging instrument as at Jun 30 2012 (EUR '000)**	**Fair value of hedging instrument (PLN '000)**	**Amount recognised in profit or loss (PLN '000)**	**Amount recognised in equity (PLN '000)**	**Date of expected cash flow**
1	1,227	650	650	-30	-24	-6	Jul 16 2012
2	645	450	450	-44	-36	-8	Dec 17 2012
3	1,980	1,100	1,100	79	7	72	Mar 15 2013
4	1,803	1,000	1,000	61	53	8	Jan 21 2013
5	250	250	60	0	0	0	Jul 10 2012
TOTAL		**3,450**	**3,260**	**66**	**0**	**66**	

Disclosure of derivative financial instruments which are not designated for hedge accounting

The table below presents details of each hedging relationship at SECO/WARWICK S.A. as at June 30th 2012.

Jun 30 2012	Nominal amount of contract (EUR'000)	Notional amount of hedging instrument (unsettled) (EUR '000)	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	1,508.00	100.00	-6.01		-6.01	Sep 28 2012
2	1,138.00	100.00				Jul 31 2012
3	1,138.00	100.00				Sep 28 2012
4	1,385.00	300.00				Aug 31 2012
5	1,385.00	100.00				Nov 30 2012
6	690.00	400.00	-4.94		-4.94	Aug 31 2012
7	575.00	350.00				Aug 31 2012
TOTAL		**1,450**	**-11**		**-11**	

Jun 30 2012	Nominal amount of contract (USD'000)	Notional amount of hedging instrument (unsettled) (USD '000)	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	726.81	100.00	16.64		16.64	Jul 31 2012
2	247.00	70.00				Jul 31 2012
3	1,408.71	370.00				Jan 29 2013
4		280.00				Feb 26 2013
5		100.00				Jun 26 2013
6		100.00				Jun 26 2013
7	200.52	120.00				Feb 26 2013
TOTAL		**1,140**	**17**		**17**	

The table below presents details of each hedging relationship at SECO/WARWICK ThermAL S.A. as at June 30th 2012.

Jun 30 2012	Nominal amount of contract (EUR'000)	Notional amount of hedging instrument (unsettled) (EUR '000)	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	1,655	800	1	1		Jan 15 2013
2	1,580	240	0	0		Dec 20 2012
3		800	-13	-13		Aug 16 2013
4	600	220	1	1		Jul 31 2012
5		220	-3	-3		Dec 28 2012
6	111 72	100	0	0		Jul 18 2012
TOTAL		**2,380**	**-14**	**-14**	**0**	

Jun 30 2012	Notional amount of contract (USD '000)	Notional amount of hedging instrument (unsettled) (USD '000)	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	2,760	800	-69	-69		Aug 16 2013
2		300	-35	-35		Sep 4 2012
TOTAL		**1,100**	**-104**	**-104**	**0**	

As at the balance-sheet date, the fair value of SECO/WARWICK S.A.'s financial instruments was PLN 352,947.65 for valuation of derivatives recognised under financial assets and PLN 1,481,524.90 for valuation of derivatives recognised under financial liabilities.

As at the balance-sheet date, the fair value of SECO/WARWICK ThermAL S.A.'s financial instruments was PLN 66,434.48 for valuation of derivatives recognised under financial assets and PLN 117,207.55 for valuation of derivatives recognised under financial liabilities.

The fair value was determined by the bank which was party to the transaction.

SECO/WARWICK S.A. executed currency transactions for a total of EUR 7,673,000, USD 10,485,000 USD and CZK 15,600,000 (or PLN 70,821,217.40, translated at the relevant mid-exchange rates quoted by the National Bank of Poland).

SECO/WARWICK ThermAL S.A. executed currency transactions for a total of EUR 5,640,000.00 and USD 1,100,000.00 (or PLN 45,161,301.55, translated at the relevant mid-exchange rates quoted by the National Bank of Poland).

The purpose of the forwards is to hedge the budgeted exchange rates for contracts.

17. CORRECTIONS OF MATERIAL ERRORS

In H1 2012, a correction of an error from 2011 concerning SECO/WARWICK ThermAL S.A. was made. The error consisted in failure to recognise in the accounts a commission fee payable to an agent for successful arrangement of a contract. The Company received the agent's invoice on May 30th 2012; the value of the correction is PLN 132 thousand.

18. OFF-BALANCE-SHEET ITEMS

Guarantees received as at June 30th 2011, December 31st 2011 and June 30th 2012 are presented in the tables below:

Company	Bank	Surety in respect of	Currency	Jun 30 2011	PLN*
SECO/WARWICK S.A.	Nordea	PBG	PLN	72	72
TOTAL					**72**

* The guarantees were translated at the relevant mid-exchange rates quoted by the National Bank of Poland for June 30th 2011.

Company	Bank	Surety in respect of	Currency	Dec 31 2011	PLN**
Nyborg-Mawent SA		PBG	PLN	72	72
Winkel / Volvo		APG	EUR	24	104
STS		Payment Guarantee	EUR	105	463
Total					**639**

** The guarantees were translated at the relevant mid-exchange rates quoted by the National Bank of Poland for December 31st 2011.

Company	Bank	Surety in respect of	Currency	Jun 30 2012	PLN***
-	-	-	-	-	-
TOTAL					-

*** The guarantees were translated at the relevant mid-exchange rates quoted by the National Bank of Poland for June 30th 2012.

Contingent liabilities under guarantees and sureties:

Jun 30 2011	Bank	Surety in respect of	Currency	In foreign currency	*AMOUNT (PLN)**	Company
Guarantee 1	BRE	PBG	PLN	37	37	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	EUR	200	797	
Guarantee 3	BRE	PBG	EUR	184	734	
Guarantee 4	BRE	PBG	EUR	174	692	
Guarantee 5	BRE	BB	USD	26	72	
Guarantee 6	BRE	PGB	EUR	137	546	
Guarantee 7	BRE	APG	EUR	163	652	
Guarantee 8	BH	SBLC	USD	1,000	2,752	
Guarantee 9	BRE	APG	EUR	275	1,097	
Guarantee 10	BRE	APG	GBP	173	762	
Guarantee 11	BRE	APG	PLN	579	579	
Guarantee 12	BRE	APG	EUR	260	1,036	
Guarantee 13	BRE	PBG	PLN	50	50	
Guarantee 14	BZ WBK	PBG	PLN	429	429	SECO/ WARWICK ThermAL
Guarantee 15	BZ WBK	PBG	PLN	1,257	1,257	
Guarantee 16	BZ WBK	APG	EUR	153	610	
Guarantee 17	BRE	PBG	EUR	90	359	
Guarantee 18	BZ WBK	APG	EUR	112	447	
Guarantee 19	HUNTINGTON	PBG	USD	320	880	SWC
Guarantee 20	EAST WEST BANK	PBG	USD	1,002	2,757	Retech Systems
Guarantee 21	EAST WEST BANK	PBG	USD	34	94	
Guarantee 22	EAST WEST BANK	PBG	USD	34	94	
Guarantee 23	EAST WEST BANK	PBG	USD	2,156	5,933	
Guarantee 24	EAST WEST BANK	PBG	USD	3,234	8,900	
Guarantee 25	EAST WEST BANK	PBG	USD	4,312	11,866	
Guarantee 26	EAST WEST BANK	PBG	USD	431	1,185	
TOTAL					**44,616**	

* The guarantees were translated at the relevant mid-exchange rates quoted by the National Bank of Poland for June 30th 2011.

Dec 31 2011	Bank	Surety in respect of	Currency	In foreign currency	AMOUNT (PLN)**	Company
Guarantee 1	BRE	PBG	PLN	37	37	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	EUR	184	813	
Guarantee 3	BRE	PBG	EUR	174	766	
Guarantee 4	BRE	PGB	EUR	137	605	
Guarantee 5	BH	SBLC	USD	1,000	3,417	
Guarantee 6	BRE	PGB	EUR	80	353	
Guarantee 7	BH	SBLC	USD	500	1,709	
Guarantee 8	BRE	PBG	EUR	58	254	
Guarantee 9	BH	APG	EUR	513	2,266	
Guarantee 10	BRE	PBG	EUR	12	53	
Guarantee 11	BRE	APG	PLN	665	665	
Guarantee 12	BRE	APG	EUR	207	914	
Guarantee 13	BRE	PBG	USD	70	238	
Guarantee 14	BH	SBLC	USD	506	1,729	
Guarantee 15	BRE	PGB	EUR	12	53	
Guarantee 16	BRE	APG	PLN	1,808	1,808	
Guarantee 17	BRE	Payment guarantee	EUR	47	208	
Guarantee 18	BRE	APG	EUR	90	398	SECO/ WARWICK ThermAL
Guarantee 19	BZ WBK	APG	PLN	429	429	
Guarantee 20	BZ WBK	APG	EUR	112	495	
Guarantee 21	BZ WBK	APG	EUR	500	2,208	
Guarantee 22	BRE	APG	USD	281	960	
Guarantee 23	BZ WBK	APG	EUR	112	495	
Guarantee 24	EAST WEST BANK	PBG	USD	2,156	7,369	Retech Systems
Guarantee 25	EAST WEST BANK	PBG	USD	3,234	11,053	
Guarantee 26	EAST WEST BANK	PBG	USD	4,312	14,737	
Guarantee 27	EAST WEST BANK	PBG	USD	5,390	18,421	
Guarantee 28	EAST WEST BANK	PBG	USD	34	116	
Guarantee 29	EAST WEST BANK	PBG	USD	34	116	
TOTAL					**72,686**	

** The guarantees were translated at the relevant mid-exchange rates quoted by the National Bank of Poland for December 31st 2011.

Jun 30 2012	Bank	Surety in respect of	Currency	In foreign currency	*AMOUNT (PLN)***	Company
Guarantee 1	BRE	PBG	EUR	184	785	SECO/WARWICK S.A.
Guarantee 2	BH	SBLC	USD	500	1,694	
Guarantee 3	BH	APG	EUR	513	2,186	
Guarantee 4	BH	SBLC	USD	506	1,715	
Guarantee 5	BRE	PBG	EUR	80	341	
Guarantee 6	BRE	PBG	PLN	45	45	
Guarantee 7	BRE	PBG	EUR	58	246	
Guarantee 8	BRE	PBG	EUR	174	739	
Guarantee 9	BRE	PGB	EUR	137	584	
Guarantee 10	BRE	PBG	EUR	12	51	
Guarantee 11	BRE	PBG	USD	70	236	
Guarantee 12	BRE	PBG	EUR	12	41	
Guarantee 13	BRE	PBG	RUB	37,500	3,863	
Guarantee 14	BRE	APG	EUR	153	653	
Guarantee 15	BRE	APG	EUR	199	847	
Guarantee 16	BRE	PBG	RUB	1,050	108	
Guarantee 17	HSBC	APG	EUR	150	638	
Guarantee 18	HSBC	SBLC	USD	1,100	3,727	
Guarantee 19	BRE	APG	EUR	109	465	
Guarantee 20	BZ WBK	PBG	PLN	429	429	SECO/ WARWICK ThermAL
Guarantee 21	BRE	APG	EUR	213	908	
Guarantee 22	BRE	PBG	PLN	180	180	
Guarantee 23	BRE	PBG	EUR	1,688	7,193	
Guarantee 24	EAST WEST BANK	PBG	USD	2,156	7,306	Retech Systems
Guarantee 25	EAST WEST BANK	PBG	USD	3,234	10,959	
Guarantee 26	EAST WEST BANK	PBG	USD	4,312	14,613	
Guarantee 27	EAST WEST BANK	PBG	USD	5,390	18,266	
Guarantee 28	EAST WEST BANK	PBG	USD	34	115	
Guarantee 29	EAST WEST BANK	PBG	USD	34	115	
Guarantee 30	EAST WEST BANK	PBG	USD	350	1,187	
Guarantee 31	EAST WEST BANK	PBG	USD	66	224	
Guarantee 32	EAST WEST BANK	PBG	USD	114	385	
Guarantee 33	EAST WEST BANK	APG	USD	2,153	7,296	
TOTAL					**88,138**	

*** The guarantees were translated at the relevant mid-exchange rates quoted by the National Bank of Poland for June 30th 2012.

APG advance payment guarantee
BB bid bond guarantee
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	Jun 30 2012	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	13,590
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,389
RETECH Systems	East West Bank	Guarantee and credit facility	USD	19,000	64,382
Hart-Tech	BOŚ Bank	Conditional surety	PLN	2,000	2,000
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800	6,099
TOTAL					**89,460**

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

On April 6th 2011, the Company's Management Board adopted a resolution to increase the value of surety granted for SECO/WARWICK Allied Pvt. Ltd. (India) from INR 147,500 thousand to INR 225,000 thousand. The total value of the surety, translated at the INR/PLN mid-exchange rate quoted by the National Bank of Poland for the date of the resolution, is PLN 14,233 thousand.

On December 31st 2010, James A. Goltz advanced to Retech Systems LLC a loan of USD 1,000 thousand. Repayment of the loan is guaranteed by SECO/WARWICK S.A. At present, the principal outstading under the loan is USD 500 thousand.

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

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

19. RESTRUCTURING PROVISIONS

In the period from June 30th 2011 to June 30th 2012, the SECO/WARWICK Group did not recognise any restructuring provisions.

20. SETTLEMENTS RELATED TO COURT CASES

The list of court proceedings instigated by SECO/WARWICK ThermAL S.A. as at June 30th 2012 is presented below.

Suit against Foundry Research Institute (Instytut Odlewnictwa) of Kraków for payment of PLN 1,761,093.20. Pursuant to a verdict by the Court of Appeals in Kraków of June 21st 2011, the Foundry Research Institute paid to SECO/WARWICK ThermAL S.A. the amount claimed (PLN 1,754,482.00). On June 6th 2012, a cassation hearing took place at the Supreme Court, where the judgement by the Court of Appeals in Kraków was reversed, and the case was referred for re-examination. The reversal is due to procedural issues and, in the opinion of the SECO/WARWICK ThermAL Management Board, is there is no risk the payment will have to be returned.

Suit against DMI VAUX S.A.S. of Les Trillers (France) concerning a claim filed in the course of the company's restructuring proceedings supervised by the Trade Court in Mountlucon (France) SECO/WARWICK ThermAL S.A.'s claim is due under a contract with DMI VAUX S.A.S. for supply of furnaces. Since the customer paid a deposit of 20% of the contract value, the SECO/WARWICK ThermAL Management Board does not foresee any risks of revenue from the project declining over the long term.

21. RELATED PARTIES

Jun 30 2011							
Receivables / Liabilities	SECO/WARWICK ThermAL	SECO/WARWICK Retech	SECO/WARWICK Corp.	OOO SECO/WARWICK Moscow	SECO/WARWICK S.A.	Retech Systems LLC	SECO/ WARWICK Allied
SECO/WARWICK ThermAL	X		195		716		
SECO/WARWICK Retech		X					
SECO/WARWICK Corp.	30		X		6		83
OOO SECO/WARWICK Moscow	666			X	1,438		
SECO/WARWICK S.A.	2,335	480	3,133	2	X	1,003	118
Retech Systems LLC					118	X	
SECO/WARWICK Allied			148				X

Dec 31 2011								
Receivables / Liabilities	SECO/ WARWICK ThermAL	SECO/ WARWICK Retech	SECO/ WARWICK Corp.	OOO SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK GmbH	Retech Systems LLC	SECO/ WARWICK Allied
SECO/WARWICK ThermAL	X		413		1,045			
SECO/WARWICK Retech		X						
SECO/WARWICK Corp.	253		X					14
OOO SECO/WARWICK Moscow	58			X				
SECO/WARWICK S.A.	3,859	922	2,377	173	X		1,292	1,080
SECO/WARWICK GmbH						X		
Retech Systems LLC					157		X	
SECO/WARWICK Allied			98					X

Jun 30 2012								
Receivables / Liabilities	SECO/WARWICK ThermAL	SECO/ WARWICK Retech	SECO/ WARWICK Corp.	OOO SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK GmbH	Retech Systems LLC	SECO/ WARWICK ALLIED
SECO/WARWICK ThermAL	X		708	188	676			
SECO/WARWICK Retech		X						
SECO/WARWICK Corp.	22	3	X		202			128
OOO SECO/WARWICK Moscow	57			X				
SECO/WARWICK S.A.	5,022	1,840	632	566	X		2,988	455
SECO/WARWICK GmbH					40			
Retech Systems LLC					117		X	
SECO/WARWICK Allied			457					X

Jun 30 2011							
Revenue / Purchases	SECO/WARWICK S.A.	SECO/WARWICK ThermAL	SECO/WARWICK Retech	OOO SECO/WARWICK Moscow	SECO/WARWICK Corp.	Retech Systems LLC	SECO/WARWICK Allied
SECO/WARWICK S.A.	X	3,415	13	31	2,192	3,593	
SECO/WARWICK ThermAL	796	X		12	50		
SECO/WARWICK Retech			X		145		
OOO SECO/WARWICK Moscow		379		X			
SECO/WARWICK Corp.	11	56			X		336
Retech Systems LLC	23					X	

SECO/WARWICK Allied								X

Dec 31 2011								
Revenue / Purchases	SECO/ WARWICK S.A.	SECO/ WARWICK ThermAL	SECO/ WARWICK Retech	OOO SECO/WARWICK Moscow	SECO/ WARWICK Corp.	SECO/ WARWICK GmbH	Retech Systems LLC	SECO/WARWICK Allied
SECO/WARWICK S.A.	X	7,177	353	1,824	2,207		409	1,053
SECO/WARWICK ThermAL	2,507	X		142	271			
SECO/WARWICK Retech			X					
OOO SECO/WARWICK Moscow		712		X				
SECO/WARWICK Corp.	1,283	266			X			711
SECO/WARWICK GmbH						X		
Retech Systems LLC	23						X	
SECO/WARWICK Allied								X

Jun 30 2012								
Revenue / Purchases	SECO/ WARWICK S.A.	SECO/ WARWICK ThermAL	SECO/ WARWICK Retech	OOO SECO/WARWICK Moscow	SECO/ WARWICK Corp.	SECO/ WARWICK GmbH	Retech Systems LLC	SECO/WARWICK Allied
SECO/WARWICK S.A.	X	2,994	891	6,652	274	5	2,801	6
SECO/WARWICK ThermAL	1,278	X		1,754	1,079			
SECO/WARWICK Retech			X					
OOO SECO/WARWICK Moscow		369		X				
SECO/WARWICK Corp.	195	52			X			
SECO/WARWICK GmbH	41					X		

Retech Systems LLC	113						X	
SECO/WARWICK Allied								X

22. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Jun 30 2012	Jun 30 2011
Cash in the balance-sheet	**24 776**	**12 772**
Exchange differences on balance-sheet valuation	17	-116
Total cash and cash equivalents disclosed in the statement of cash flows	**24 793**	**12 656**

23. SEASONALITY OR CYCLICALITY OF OPERATIONS IN THE INTERIM PERIOD

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

24. NON-RECURRING EVENTS

In the period covered by these interim condensed consolidated financial statements for H1 2012 there were no non-recurring events.

25. MATERIAL EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD AND NOT REFLECTED IN THE FINANCIAL STATEMENTS

No such events occurred.

Date: August 24th 2012

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

SECO/WARWICK S.A.

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2012

PREPARED IN ACCORDANCE WITH

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets	as at Jun 30 2012	as at Dec 31 2011	as at Jun 30 2011
NON-CURRENT ASSETS	**135,013**	**132,716**	**133,453**
Property, plant and equipment	20,113	21,167	24,841
Investment property	415	422	429
Intangible assets	12,616	12,891	12,746
Investments in subsidiary, jointly-controlled and associated entities	97,638	94,915	93,296
Deferred tax assets	4,230	3,320	2,142
CURRENT ASSETS	**94,143**	**90,055**	**79,834**
Inventories	17,957	14,535	11,947
Trade receivables	30,944	42,783	38,820
Income tax assets	159	1,311	
Other current receivables	7,956	3,740	5,829
Prepaid expenses	1,023	834	1,184
Financial assets at fair value through profit or loss	353		782
Loans and receivables	431	2,453	4,000
Cash and cash equivalents	7,583	1,452	3,677
Contract settlement	27,737	22,948	13,595
ASSETS HELD FOR SALE	**3 770**	**3,770**	**826**
TOTAL ASSETS	**232 926**	**226,541**	**214,112**

Equity and liabilities	as at Jun 30 2012	as at Dec 31 2011	as at Jun 30 2011
EQUITY	**174,147**	**171,331**	**166,843**
Share capital	**3,652**	**3,652**	**3,652**
Reserve funds	165,531	161,361	161,361
Other components of equity			112
Retained earnings/(deficit)	4,964	6,318	1,719
NON-CURRENT LIABILITIES	**15,151**	**14,252**	**12,317**
Borrowings and other debt instruments	4,236	5,126	4,815
Deferred tax liabilities	6,080	4,408	2,971
Provision for retirement and similar benefits	165	165	110
Prepaid expenses	4,670	4,552	4,420
CURRENT LIABILITIES	**43 629**	**40,958**	**34,953**
Borrowings and other debt instruments	1,694	8,269	7,533
Financial liabilities	1,482	4,327	190
Trade payables	8,761	11,077	9,046
Taxes, customs duties and social security payable			1,797
Income tax payable			
Other current liabilities	3,871	2,994	3,070
Provision for retirement and similar benefits	2,129	2,180	1,123
Other provisions	2,391	2,072	1,592
Contract settlement	23,301	10,039	10,601
LIABILITIES HELD FOR SALE			
TOTAL EQUITY AND LIABILITIES	**232,926**	**226,541**	**214,112**

Date: August 24th 2012
Prepared by: Dorota Subsar

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (PLN ‘000)

	for the period Jan 1–Jun 30 2012	for the period Jan 1–Jun 30 2011
Revenue, including:	**65,639**	**49,198**
Revenue from sale of finished goods	65,415	49,038
Revenue from sale of merchandise and materials	224	161
Cost of sales, including:	**-49,313**	**-38,555**
Finished goods sold	-49,121	-38,424
Merchandise and materials sold	-192	-131
Gross profit/(loss)	**16,326**	**10,643**
Other income	1,173	1,106
Distribution costs	-2,046	-2,685
Administrative expenses	-11,634	-10,542
Other expenses	-310	-1,105
Operating profit/(loss)	**3,509**	**-2,583**
Finance income	2,795	1,994
Finance costs	-3,220	-898
Profit (loss) before tax	**3,084**	**-1,487**
Actual tax expense	-668	277
Net profit (loss) from continuing operations	**2,415**	**-1,210**
Profit/(loss) on discontinued operations		
Profit (loss) for financial year, net of tax	**2,415**	**-1,210**

OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	493	55
Income tax relating to other comprehensive income	-93	-10
Other comprehensive income, net	**400**	**44**
Total comprehensive income	**2,815**	**-1,166**

Date: August 24th 2012
Prepared by: Dorota Subsar

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

INTERIM SEPARATE STATEMENT OF CASH FLOWS (PLN '000)

	for the period Jan 1–Jun 30 2012	for the period Jan 1–Jun 30 2011
OPERATING ACTIVITIES		
Profit (loss) before tax	**3,084**	**-1,487**
Total adjustments:	**12,501**	**3,809**
Depreciation and amortisation	1,551	1,316
Foreign exchange gains/(losses)	219	-517
Interest and profit distributions (dividends)	163	105
Profit/(loss) on investing activities	1,192	-1,291
Balance-sheet valuation of derivative instruments	-2,699	-543
Change in provisions	267	-866
Change in inventories	-2,782	-1,889
Change in receivables	7,628	-3,632
Change in current liabilities (other than financial liabilities)	-1,440	-3,189
Change in accruals and deferrals	8,402	14,241
Other adjustments		76
Cash from operating activities	**15,584**	**2,322**
Income tax (paid)/refunded	1,152	-1,335
Net cash flows from operating activities	**16,736**	**988**
INVESTING ACTIVITIES		
Inflows	**2,106**	**2,279**
Proceeds from disposal of intangible assets and property, plant and equipment	51	140
Repayment of non-current loans advanced	2,006	691
Interest income	49	126
Cash received in connection with derivative instruments		1,322
Outflows	**4,820**	**1,739**
Investments in intangible assets, property, plant and equipment, and investment property	918	1,687
Acquisition of related entities	2,723	52
Cash paid in connection with derivative instruments	1,179	
Net cash flows from investing activities	**-2,714**	**540**
FINANCING ACTIVITIES		
Inflows		**281**
Borrowings and other debt instruments		281
Outflows	**7,833**	**970**
Repayment of borrowings and other debt instruments	7,611	715

Payment of finance lease liabilities	4	24
Interest paid	218	231
Net cash flows from financing activities	**-7,833**	**-689**
Total net cash flows	**6,189**	**839**
Balance-sheet change in cash, including:	**6,131**	**898**
- exchange differences on cash and cash equivalents	57	60
Cash at beginning of the period	**1,411**	**2,742**
Cash at end of the period, including:	**7,600**	**3,581**

Date: August 24th 2012
Prepared by: Dorota Subsar

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

INTERIM STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Reserve funds	Capital reserve from revaluation of hedging instruments	Other components of equity	Retained earnings/deficit	Non-controlling interests	Total equity
Six months ended Jun 30 2011							
Equity as at Jan 1 2011	**3,652**	**154,136**	**-17**	**36**	**11,175**	**0**	**168,981**
Total comprehensive income for the six months ended Jun 30 2011			44		-1,210		**-1,166**
Share-based payments				76			**76**
Dividends		-1,048					**-1,048**
Distribution of profit		8,273			-8,273		
Equity as at Jun 30 2011	**3,652**	**161,361**	**27**	**112**	**1,692**	**0**	**166,843**
Twelve months ended Dec 31 2011							
Equity as at Jan 1 2011	**3,652**	**154,136**	**-17**	**36**	**11,175**	**0**	**168,981**
Total comprehensive income for the twelve months ended Dec 31 2011			-,736		4,169		**3,433**
Dividends					-,1,048		**-,1,048**
Management stock options				-36			**-36**
Distribution of profit		7,225			-,7,225		**0**
Equity as at Dec 31 2011	**3,652**	**161,361**	**-,753**	**0**	**7,071**	**0**	**171,331**
Six months ended Jun 30 2012							
Equity as at Jan 1 2012	**3,652**	**161,361**	**-,753**	**0**	**7,071**	**0**	**171,331**
Total comprehensive income for the six months ended Jun 30 2012			400		2,415		**2,815**
Share-based payments							
Distribution of profit		4,169			-4,169		
Equity as at Jun 30 2012	**3,652**	**165,531**	**-353**	**0**	**5,317**	**0**	**174,147**

Date: August 24th 2012
Prepared by: Dorota Subsar

Paweł Wyrzykowski Wojciech Modrzyk Witold Klinowski Józef Olejnik

President of the Management Board *Vice-President of the Management Board* *Member of the Management Board* *Member of the Management Board*

SECO/WARWICK S.A.

NOTES TO THE INTERIM CONDENSED

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30TH 2012

BASIS OF PREPARATION

These semi-annual condensed separate financial statements have been prepared in accordance with IAS 34 and Art. 45.1a–1c of the Polish Accountancy Act (Dz. U. of 2002, No. 76, item 694, as amended), as well as the secondary legislation issued thereunder and the Minister of Finance’s Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. of 2009, No. 33, item 259, as amended), in line with the accounting policies applied to both current and comparative periods, published on April 30th 2012 in the separate annual report.

These interim condensed separate financial statements of the Company should be read in conjunction with the consolidated financial statements approved for publication by the Management Board and released on the date of publication of these condensed separate financial statements, in order to obtain complete information on the SECO/WARWICK Group’s assets and financial position as at June 30th 2012 and its financial performance in the period from January 1st to June 30th 2012, in accordance with the International Financial Reporting Standards endorsed by the European Union.

These semi-annual condensed separate financial statements are presented in the złoty (“PLN”), and unless specified otherwise, all values are given in thousands of PLN.

The comparative data comprises the statement of financial position as at December 31st 2011 and June 30th 2011, the statement of comprehensive income and statement of cash flows for the six months ended June 30th 2011, and the statement of changes in equity for the six months ended June 30th 2011 and the twelve months ended December 31st 2011.

The presented financial data was subject to a review by a qualified auditor.

None of the published but not yet effective standards or interpretations have been applied in preparing these condensed separate financial statements.

These interim condensed financial statements for the six months ended June 30th 2012 have been prepared on the assumption that the Company would continue as a going concern.

These interim condensed financial statements have been prepared in accordance with the same accounting policies and computation methods as were applied to prepare the most recent annual financial statements. These policies and methods are described in Section IV concerning the interim condensed consolidated financial statements.
In these interim condensed financial statements there are no significant changes to the estimated amounts presented in previous interim periods of the current financial year or in previous financial years which would have a material effect on the current interim period.

1. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Jun 30 2012	Jan 1–Jun 30 2011
Interest income	96	129
Income from investments		
Gain on derivative instruments at maturity		1,322
Balance-sheet valuation of derivative instruments	2,699	543
Net foreign exchange gains		
Other		
Total finance income	**2,795**	**1,994**

FINANCE COSTS	Jan 1–Jun 30 2012	Jan 1–Jun 30 2011
Interest on bank loans	209	236
Bank fees	31	
Loss on derivative instruments at maturity	1,179	
Revaluation of investments		64
Net foreign exchange losses	1,693	
Other	108	598
Total finance costs	**3,220**	**898**

2. PROPERTY, PLANT AND EQUIPMENT

Item	Jun 30 2012	Dec 31 2011	Jun 30 2011
Tangible assets	19,525	20,083	21,772
Tangible assets under construction	588	1,084	3,069
Prepayments for tangible assets under construction			
Property, plant and equipment	**20,113**	**21,167**	**24,841**

Changes in property, plant and equipment (by type) in the period Jan 1–Jun 30 2011

Item	Land	Buildings and structures	Machinery and equipment	Motor vehicles	Other	Total
Gross carrying amount as at Jan 1 2011	**840**	**12,394**	**14,968**	**3,078**	**1,385**	**32,665**
Increase, including:	-	**16**	**204**	**720**	**73**	**1,013**
Assets acquired	-	16	204	720	73	**1,013**
Assets generated internally	-	-	-	-	-	**0**
Lease agreements concluded	-	-	-	-	-	**0**
Decrease, including:	-	-	**219**	**42**	**32**	**293**
Disposals	-	-	126	42	-	**168**
Liquidation	-	-	93	-	32	**125**
Revaluation	-	-	-	-	-	**0**
Gross carrying amount as at Jun 30 2011	**840**	**12,410**	**14,953**	**3,756**	**1,426**	**33,385**
Cumulative depreciation as at Jan 1 2011	-	**2,496**	**5,422**	**1,583**	**760**	**10,261**
Increase, including:	-	**298**	**477**	**223**	**58**	**1,056**
Depreciation	-	298	477	223	58	**1,056**
Revaluation	-	-	-	-	-	**0**
Decrease, including:	-	-	**120**	**42**	**30**	**192**
Sale	-	-	27	42	-	**69**
Liquidation	-	-	93	-	30	**123**
Revaluation	-	-	-	-	-	**0**
Cumulative depreciation as at Jun 30 2011	-	**2,794**	**5,779**	**1,764**	**788**	**11,125**
Impairment losses as at Jan 1 2011	-	-	487	-	-	**487**

Increase, including:	**-**	**-**	**-**	**-**	**-**	**0**
Decrease, including:	**-**	**-**	**-**	**-**	**-**	**0**
Impairment losses as at Jun 30 2011	**-**	**-**	**487**	**-**	**-**	**487**
Net carrying amount as at Jun 30 2011	**840**	**9,616**	**8,687**	**1,992**	**638**	**21,773**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2011

Item	Land	Buildings and structures	Machinery and equipment	Motor vehicles	Other	Total
Gross carrying amount as at Jan 1 2011	**840**	**12,394**	**14,968**	**3,078**	**1,385**	**32,665**
Increase, including:	**-**	**39**	**2,807**	**771**	**121**	**3,738**
Assets acquired	-	39	444	771	121	**1,375**
Assets generated internally	-	-	2,363	-	-	**2,363**
Lease agreements concluded	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**4,332**	**61**	**49**	**4,442**
Disposals	-	-	46	61	17	**124**
Liquidation	-	-	909	-	32	**941**
Revaluation	-	-	-	-	-	**-**
Reclassification (assets held for sale)	-	-	3,377	-	-	**3,377**
Gross carrying amount as at Dec 31 2011	**840**	**12,433**	**13,443**	**3,788**	**1,457**	**31,961**
Cumulative depreciation as at Jan 1 2011	**-**	**2,496**	**5,422**	**1,583**	**760**	**10,261**
Increase, including:	**-**	**596**	**962**	**494**	**119**	**2,171**
Depreciation	-	596	962	494	119	**2,171**
Revaluation	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**456**	**61**	**38**	**555**
Sale	-	-	33	61	8	**102**
Liquidation	-	-	423	-	30	**453**
Revaluation	-	-	-	-	-	**-**
Cumulative depreciation as at Dec 31 2011	**-**	**3,092**	**5,928**	**2,016**	**841**	**11,877**
Impairment losses as at Jan 1 2011	**-**	**-**	**487**	**-**	**-**	**487**
Increase, including:	-	-	**-**	-	-	**-**
Decrease, including:	-	-	**487**	-	-	**487**
Liquidation			487			**487**

Impairment losses as at Dec 31 2011	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount as at Dec 31 2011	**840**	**9,341**	**7,515**	**1,772**	**616**	**20,083**

Changes in property, plant and equipment (by type) in the period Jan 1–Jun 30 2012

Item	Land	Buildings and structures	Machinery and equipment	Motor vehicles	Other	Total
Gross carrying amount as at Jan 1 2012	**840**	**12,433**	**13,443**	**3,788**	**1,457**	**31,961**
Increase, including:	**-**	**246**	**173**	**70**	**80**	**569**
Assets acquired	-	246	173	70	80	**569**
Assets generated internally	-	-	-	-	-	**-**
Lease agreements concluded	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**12**	**141**	**-**	**153**
Disposals	-	-	5	141	-	**146**
Liquidation	-	-	7	-	-	**7**
Revaluation	-	-	-	-	-	**-**
Gross carrying amount as at Jun 30 2012	**840**	**12,679**	**13,604**	**3,717**	**1,536**	**32,376**
Cumulative depreciation as at Jan 1 2012	**-**	**3,092**	**5,928**	**2,016**	**841**	**11,877**
Increase, including:	**-**	**301**	**492**	**209**	**59**	**1,061**
Depreciation	-	301	492	209	59	**1,061**
Revaluation	-	-	-	-	-	**-**
Decrease, including:	-	**-**	**10**	**78**	**-**	**88**
Sale	-	-	5	78	-	**83**
Liquidation	-	-	5	-	-	**5**
Revaluation	-	-	-	-	-	**-**
Cumulative depreciation as at Jun 30 2012	**-**	**3,393**	**6,410**	**2,147**	**900**	**12,850**
Impairment losses as at Jan 1 2012	-	**-**	**-**	**-**	**-**	**-**
Increase, including:	-	-	**-**	**-**	-	**-**
Decrease, including:	-	-	**-**	-	-	**-**
Liquidation			**-**			**-**
Impairment losses as at Jun 30 2012	**-**	**-**	**-**	**-**	**-**	**-**

Net carrying amount as at Jun 30 2012	**840**	**9,285**	**7,194**	**1,570**	**636**	**19,525**

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2011	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2011*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Motor vehicles*	*Other*	*Intangible assets*	
2,970	**1,310**	16	204	720	73	198	**3,069**

Tangible assets under construction as at Jan 1 2011	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2011*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Motor vehicles*	*Other*	*Intangible assets*	
2,970	**7,721**	39	2,807	771	121	5,869	**1,084**

Tangible assets under construction as at Jan 1 2012	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2012*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Motor vehicles*	*Other*	*Intangible assets*	
1,084	**1,429**	246	1,529	70	80	-	**588**

3. IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Jun 30 2012	Dec 31 2011	Jun 30 2011
Trade receivables	1,291	1,293	1,000
Shares in SECO/WARWICK Tianjin	1,088	656	656
Products	792	-	-
Tangible assets	-	-	486

4. INVENTORIES

Item	Jun 30 2012	Dec 31 2011	Jun 30 2011
Materials (at cost)	13,436	10,620	8,395
Semi-finished products and work in progress	4,521	3,915	3,552
Finished products			
Merchandise			
Total inventories (carrying amount)	**17,957**	**14,535**	**11,947**
Impairment losses on inventories	**792**		
Inventories, gross	**18,749**	**14,535**	**11,947**

CHANGES IN IMPAIRMENT LOSSES ON INVENTORIES

Item	Jun 30 2012	Dec 31 2011	Jun 30 2011
Balance at beginning of the period	**-**	**-**	**-**
Increase, including:	**792**	**-**	**-**
- impairment losses recognised in correspondence with other expenses	792	-	-
- transfers	-	-	-
Decrease, including:	**-**	**-**	**-**
- impairment losses reversed in correspondence with other income	-	-	-
- impairment losses used	-	-	-
- transfers	-	-	-
Balance of impairment losses on finished products at end of the period	**792**	**-**	**-**

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

In H1 2012, SECO/WARWICK S.A. did not pay or declare any dividend.

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

6. LONG-TERM CONTRACTS

Item	Jun 30 2012	Dec 31 2011	Jun 30 2011
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	49,832	33,547	20,691
Advances received	-39,945	-12,911	-10,896
Excess of received advances over revenue recognised using the percentage of completion method	17,850	2,312	3,800
Total assets under construction contracts in progress	**27,737**	**22,948**	**13,595**

7. INVESTMENT COMMITMENTS

As at June 30th 2012, the Company had no investment commitments.

SEASONALITY OR CYCLICALITY OF OPERATIONS IN THE INTERIM PERIOD

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

9. NON-RECURRING EVENTS

In the period covered by these interim condensed financial statements for H1 2012 there were no non-recurring events.

10. MATERIAL EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD AND NOT REFLECTED IN THE FINANCIAL STATEMENTS

No such events occurred.

11. CHANGE IN FINANCIAL ASSETS AND LIABILITIES

For information on contingent liabilities, see Note 18 to the interim consolidated financial statements for H1 2012.

In H1 2012 and H1 2011, the Company did not carry any contingent assets.

12. RELATED-PARTY TRANSACTIONS

For information on related-party transactions, see Note 21 to the interim consolidated financial statements for H1 2012.

Date: August 24th 2012

Paweł Wyrzykowski	Wojciech Modrzyk	Witold Klinowski	Józef Olejnik
President of the Management Board	*Vice-President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*