THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009

CONTENTS

GENERAL INFORMATION

I. Details of the Parent Undertaking

The Parent Undertaking of the SECO/WARWICK Group is SECO/WARWICK Spółka Akcyjna of Świebodzin. The Company was incorporated on January 2nd 2007 by virtue of the decision issued by District Court for Zielona Góra, 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):

29.21.Z	Manufacture of ovens, furnaces and furnace burners
29.24.B	Service activities related to the installation, repair and maintenance of other special purpose machinery n.e.c., excluding service activities
29.24.A	Manufacture of other general-purpose machinery n.e.c., excluding service activities
29.40.A	Manufacture of metal forming machinery and machine tools, excluding service activities
29.40.B	Service activities related to the installation, repair and maintenance of metal forming machinery and machine tools
29.51.Z	Manufacture of machinery for metallurgy
51.14.Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft
51.61.Z	Wholesale of metal forming machinery,
51.70.Z	Other specialised wholesale
74.20.A	Architectural, spatial planning and engineering activities and related technical consultancy
74.30.Z	Technical testing and analysis
73.10.G	Research and development in the field of technique and technology

National Court Register (KRS) No.:	KRS 0000271014
Industry Identification Number (REGON)	970011679

II. Duration of the Group:

SECO/WARWICK S.A. and other undertakings of the SECO/WARWICK Group have been registered to operate for an unlimited period of time, except for SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd., which has been registered to operate for the period of 50 years.

III. Presented Periods

These consolidated financial statements cover the period from January 1st to December 31st 2009. Comparable data for the statement of financial position reflect the situation as at December 31st 2008; for the statement of comprehensive income, statement of cash flows and statement of changes in equity, comparable data covers the period from January 1st to December 31st 2008.

IV. Composition of SECO/WARWICK S.A.'s (the Parent Undertaking) Governing Bodies

MANAGEMENT BOARD		
Composition of the Management Board as at December 31st 2008	Jeffrey William Boswell Andrzej Zawistowski Witold Klinowski Józef Olejnik Wojciech Modrzyk	President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board Member of the Management Board as of May 1st 2008
On March 1st 2009, composition of the Management Board changed to be as follows	Leszek Przybysz Andrzej Zawistowski Witold Klinowski Józef Olejnik Wojciech Modrzyk	President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board Member of the Management Board
Composition of the Management Board as at December 31st 2009	Leszek Przybysz Andrzej Zawistowski Witold Klinowski Józef Olejnik Wojciech Modrzyk	President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board Vice-President of the Management Board
SUPERVISORY BOARD		
Composition of the Supervisory Board as at December 31st 2008	Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Grygiel Robert Legierski	Chairman of the Supervisory Board Vice-Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board as of February 28th 2008
Composition of the Supervisory Board as at April 29th 2009	Henryk Pilarski Piotr Kowalewski Piotr Kula Robert Legierski Andrzej Libold Jeffrey Boswell	Chairman of the Supervisory Board Vice-Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board as of April 29th 2009 Member of the Supervisory Board as of April 29th 2009

Composition of the Supervisory Board as at June 18th 2009	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Grygiel Andrzej Libold	Chairman of the Supervisory Board Vice-Chairman of the Supervisory Board Vice-Chairman 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 2009	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Grygiel	Chairman of the Supervisory Board Vice-Chairman of the Supervisory Board Vice-Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board

V. Auditors

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

VI. Significant Shareholders of the Parent Undertaking

The table below presents the shareholders holding over 5% of the total vote at the General Shareholders Meeting as at December 31st 2009:

Shareholder	Number of shares held	% of share capital held	Number of votes	% of total vote at GM
SW Poland Holding B.V. (the Netherlands)	4,119,508	43.04%	4,119,508	43.04%
Spruce Holding Limited Liability Company (USA)	1,726,174	18.03%	1,726,174	18.03%
ING NN OFE	723,199	7.56%	723,199	7.56%
PZU Asset Management S.A.	513,000	5.36%	513,000	5.36%
PKO TFI S.A.	577,716	6.04%	577,716	6.04%

VII. Subsidiaries

SECO/WARWICK S.A. is the direct Parent Undertaking of the following three subsidiaries:

- LZT Elterma S.A.,
- SECO/WARWICK Corporation, and
- OOO SECO/WARWICK Group,

and holds 100% of the share capital and 100% of the total vote at the general shareholders meetings of these companies.

Other Group members are:

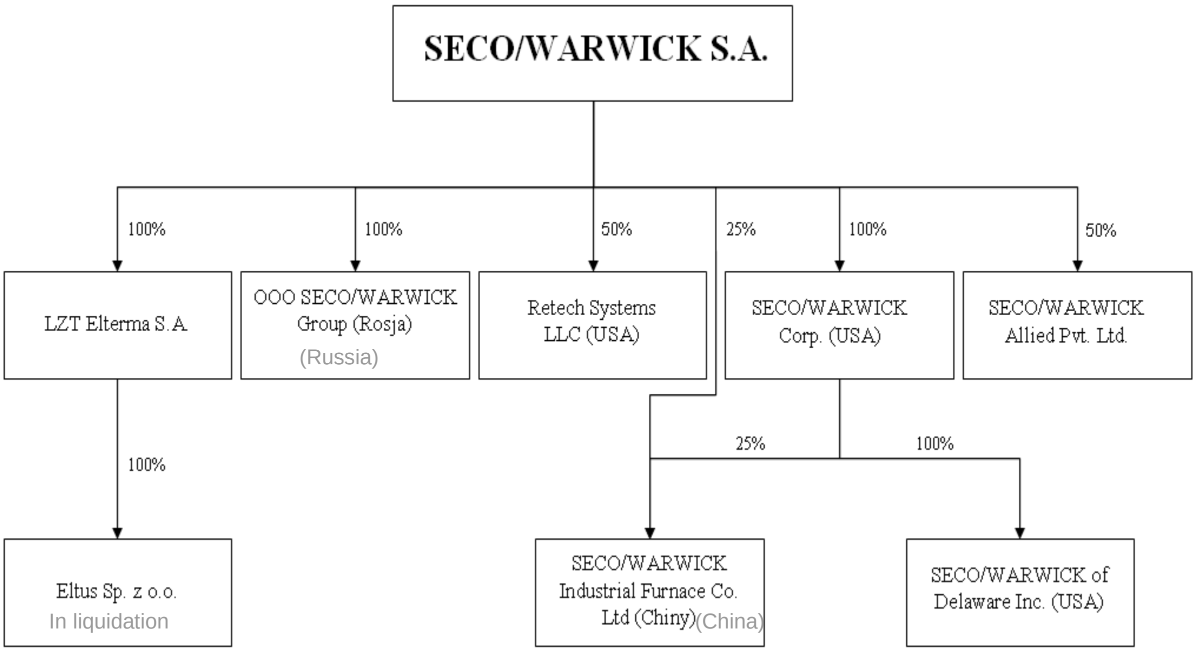
- Przedsiębiorstwo Handlowo-Usługowe „Eltus” Sp. z o.o w likwidacji (in liquidation), in which the Parent Undertaking holds, through LZT Elterma, 100% of the share capital and 100% of the total vote at the general shareholders meeting,

- SECO/WARWICK of Delaware Inc., in which the Parent Undertaking holds, through SECO/WARWICK Corporation, 100% of the share capital and 100% of the total vote at the general shareholders meeting,
- SECO/WARWICK (Tianjin) China (jointly controlled entity), in which SECO/WARWICK S.A. holds directly 25% of the share capital (and of the total vote), and indirectly – through SECO/WARWICK Corporation – another 25% of the share capital and the total vote.

VIII. Associates

- Retech Systems LLC, in which the Parent Undertaking holds 50% of ordinary shares and 50% of the total vote at the general shareholders meeting,
- SECO/WARWICK Allied Pvt. Ltd., in which the Parent Undertaking holds 50% of shares, conferring the right to 50% of the total vote at the company's general shareholders 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	Dec 31 2009	Dec 31 2008
Average exchange rate for the period*	4.3406	3.5321
Exchange rate effective for the last day of the period	4.1082	4.1724

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

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

Items of the consolidated statement of comprehensive income and the consolidated statement of cash flows have been translated using the exchange rates calculated as the arithmetic means of the EUR/PLN mid market rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period.

The table below presents key items of the statement of financial position, statement of comprehensive income and statement of cash flows disclosed in these consolidated financial statements and the comparable data, translated into the euro:

Financial Highlights -Consolidated

Item	2009	2008	2009	2008
	(PLN '000)		(EUR '000)	
Net sales revenue	123,730	262,095	28,505	74,204
Cost of sales	-89,736	-199,684	-20,673	-56,534
Operating profit/(loss)	-77	25,388	-18	7,188
Pre-tax profit/(loss)	44	17,111	10	4,844
Net profit/(loss)	-960	14,678	-221	4,156
Net cash provided by (used in) operating activities	40,422	1,672	9,312	474
Net cash provided by (used in) investing activities	-21,633	-20,596	-4,984	-5,831
Net cash provided by (used in) financing activities	-5,857	-20,567	-1,349	-5,823
Total assets	211,440	251,811	51,468	60,352
Total liabilities	45,534	86,291	11,084	20,681
of which current liabilities	29,154	67,414	7,096	16,157
Equity	165,906	165,521	40,384	39,670
Share capital	3,471	3,471	845	832

MANAGEMENT BOARD'S STATEMENT

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated February 19th 2009, the Management Board of the Parent Undertaking represents that to the best of its knowledge these consolidated financial statements and the comparable 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.

These 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, dated February 19th 2009 (Dz.U. of 2009

No. 33, item 259). These consolidated financial statements cover the period from January 1st to December 31st 2009 and the comparable period from January 1st to December 31st 2008.

The Management Board of the Parent Undertaking represents that the qualified auditor of financial statements that audited the consolidated financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the audit met the conditions required to issue an impartial and independent audit opinion, in accordance with the applicable provisions of the Polish law. In line with the corporate governance rules adopted by the Management Board, the auditor was selected by the Supervisory Board by virtue of Resolution No. 6/2009 of February 25th 2009 concerning appointment 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 tasks by the auditor.

Date: April 20th 2010

Leszek Przybysz

President of the Management Board

Andrzej Zawistowski

Vice-President of the Management Board

Wojciech Modrzyk

Vice-President of the Management Board

Józef Olejnik

Member of the Management Board

Witold Klinowski

Member of the Management Board

THE SECO/WARWICK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2009

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets		As at Dec 31 2009	As at Dec 31 2008
NON-CURRENT ASSETS		**112,305**	**108,673**
Property, plant and equipment	*10*	45,831	47,076
Investment property	*12*	448	461
Goodwill	*13*	4,284	4,452
Other intangible assets	*11*	9,838	6,861
Investments in associates	*14*	47,769	41,661
Financial assets available for sale		3	3
Non-current receivables			
Other assets			
Loans and receivables	*19*		3
Prepayments and accrued income			
Deferred tax assets	*6*	4,133	8,156
CURRENT ASSETS		**99,135**	**143,139**
Inventories	*14*	16,091	20,102
Trade receivables	*18*	21,103	67,086
Other current receivables	*18*	5,843	4,558
Prepayments and accrued income	*20*	1,740	2,947
Financial assets at fair value through profit or loss	*19*	143	
Loans and receivables	*19*	3	12
Cash and cash equivalents	*21*	25,254	12,418
Contract settlement	*17*	28,958	36,016
ASSETS HELD FOR SALE	7		
TOTAL ASSETS		**211,440**	**251,811**

Equity and Liabilities		As at Dec 31 2009	As at Dec 31 2008
EQUITY		**165,906**	**165,521**
Share capital	*22*	3,471	3,471
Statutory reserve funds	*22*	143,833	135,792
Other capitals	*22*	2	
Retained earnings/(deficit)	*23*	18,600	26,257
Minority interests			
NON-CURRENT LIABILITIES		**16,381**	**18,877**
Loans and borrowings	*24*		
Other liabilities	*26*	640	1,399
Deferred tax liabilities	*6*	10,767	13,640
Provision for retirement and similar benefits	*27*	2,792	3,657
Provisions for liabilities		0	
Accruals and deferred income	*20*	2,181	180
CURRENT LIABILITIES		**29,154**	**67,414**
Loans and borrowings	*24*	365	5,508
Derivative financial instruments	*19*	2,080	15,971
Trade payables	*26*	11,118	20,266
Taxes, customs duties and social security payable	*26*	2,348	3,311
Other current liabilities	*26*	3,140	3,927
Provision for retirement and similar benefits	*27*	973	915
Other provisions	*27*	3,070	5,193
Accruals and deferred income	*28*	6,060	12,323
LIABILITIES HELD FOR SALE	7		
TOTAL EQUITY AND LIABILITIES		**211,440**	**251,811**

Date: April 20th 2010

Prepared by:
Piotr Walasek

Leszek Przybysz
President of the Management Board

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Member of the Management Board

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

		Jan 1 –Dec 31 2009	Jan 1–Dec 31 2008
Net sales revenue, including:	*1,2*	**123,730**	**262,095**
Net revenue from sales of products		122,567	260,315
Net revenue from sales of goods for resale and materials		1,163	1,780
Cost of sales, including:	*2,3*	**-89,736**	**-199,684**
Cost of products sold		-88,670	-198,539
Cost of goods for resale and materials sold		-1,066	-1,145
Gross profit/(loss)		**33,995**	**62,411**
Other operating income	*4*	2,244	1,319
Selling costs	*1,2,3*	-9,620	-10,384
General and administrative expenses	*1,2,3*	-25,040	-25,290
Other operating expenses	*4*	-1,655	-2,667
Operating profit/(loss)		**-77**	**25,388**
Finance income	*5*	1,440	2,709
Finance expenses	*5*	-8,326	-16,946
Share in net profit/(loss) of associates		7,006	5,960
Pre-tax profit/(loss)		**44**	**17,111**
Corporate income tax	*6*	-1,003	-2,433
Net profit/(loss) from continuing operations		**-960**	**14,678**
Profit/(loss) from discontinued operations			
Net profit/(loss) for financial year		**-960**	**14,678**
Earnings per share (PLN)	*8*	-0,10	1,53
Weighted average number of shares as at	*8*	9,572,003	9,572,003
OTHER COMPREHENSIVE INCOME:			
Valuation of cash flow hedging derivatives		2,210	-2,210
Exchange differences on translating foreign operations		-1,210	10,012
Actuarial gains/(losses) on a defined benefit retirement plan		404	-1,338
Other comprehensive income, net		**679**	**6,463**
Total comprehensive income		**-281**	**21,141**

Date: April 20th 2010

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CONSOLIDATED STATEMENT OF CASH FLOWS

(PLN '000)

		Jan 1–Dec 31 2009	Jan 1–Dec 31 2008
OPERATING ACTIVITIES			
Pre-tax profit/(loss)	29	**44**	**17,111**
Total adjustments:		**39,801**	**-11,762**
Share of net profit of associates		-7,006	-5,960
Depreciation and amortisation	3	4,950	4,331
Foreign exchange (gains)/losses		-25	-4
Interest and profit distributions (dividends)		201	483
(Profit)/loss on investing activities		13,691	3,081
Balance sheet valuation of derivative instruments		-11,613	13,242
Change in provisions		-2,883	853
Change in inventories		3,950	-1,117
Change in receivables		44,322	-11,453
Change in current liabilities, excluding financial liabilities		-10,385	-5,434
Change in accruals and deferrals		4,324	-7,591
Other adjustments		273	-2,193
Cash from operating activities		**39,845**	**5,348**
Income tax (paid) / refunded		577	-3,676
Net cash provided by (used in) operating activities		**40,422**	**1,672**
INVESTING ACTIVITIES			
Cash provided by investing activities		**582**	**140**
Proceeds from disposal of intangible assets and property, plant and equipment		570	128
Proceeds from disposal of financial assets			
Dividends and profit distributions received			
Repayment of non-current loans advanced			
Interest received			
Other cash provided by financial assets		12	12
Cash used in investing activities		**22,215**	**20,736**
Investments in intangible assets, property, plant and equipment, and investment property		7,500	5,667
Acquisition of related undertakings			12,048
Acquisition of financial assets			
Increase in long-term loans advanced			2
Cash paid in connection with derivative instruments		13,569	3,018
Other cash used in investing activities		1,146	1
Net cash provided by (used in) investing activities		**-21,633**	**-20,596**
FINANCING ACTIVITIES			

Cash provided by financing activities		**4,212**
Net proceeds from issue of shares, other equity instruments and additional contributions to equity		
Loans and borrowings		4,212
Issue of debt securities		
Other cash provided by financing activities		
Cash used in financing activities	**5,857**	**24,779**
Acquisition of own shares		
Dividends and other distributions to owners		
Profit distributions other than to owners		
Repayment of loans and borrowings	5,336	24,000
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	319	
Interest paid	202	296
Other cash used in financing activities		483
Net cash provided by (used in) financing activities	**-5,857**	**-20,567**
Total net cash flow	**12,932**	**-39,490**
Balance-sheet change in cash, including:	**12,836**	**-39,502**
- effect of exchange rate fluctuations on cash held	-53	207
Cash at beginning of period	**12,154**	**51,644**
Cash at end of period, including:	**25,086**	**12,154**
- restricted cash		2,307

Date: April 20th 2010

Prepared by:
Piotr Walasek

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

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other capitals	Translation reserve	Retained earnings (deficit)	Minority interests	Total equity
Twelve months ended Dec 31 2008								
Equity as at Jan 1 2008	**3,471**	**116,610**	**0**		**(7,005)**	**29,785**	**0**	**142,861**
Correction of material errors						6		6
Total comprehensive income for twelve months ended Dec 31 2008			(2,211)		10,012	13,339		21,142
Distribution of profit		21,482				(21,482)		
Coverage of loss		(2,303)				2,303		
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						1,513		1,513
Liquidation of tangible assets		3				(3)		
Equity as at Dec 31 2008	**3,471**	**135,792**	**(2,211)**		**3,007**	**25,461**	**0**	**165,521**
Twelve months ended Dec 31 2009								
Equity as at Jan 1 2009	**3,471**	**135,792**	**(2,211)**		**3,007**	**25,461**		**165,521**
Total comprehensive income for twelve months ended Dec 31 2009			2,211		(1,936)	(555)		(281)
Distribution of profit		8,040				(8,040)		
Share-based payments				2				2
Changes in equity of SECO/WARWICK Allied (India) not related to net profit/loss						339		339
Changes in equity of RETECH not related to net profit/loss						324		324
Equity as at Dec 31 2009	**3,471**	**143,833**	**0**	**2**	**1,072**	**17,529**	**0**	**165,906**

Date: April 20th 2009
Prepared by: Piotr Walasek

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THE SECO/WARWICK GROUP

SUPPLEMENTARY INFORMATION

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009

I. Compliance with International Financial Reporting Standards

These 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 Boards ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

II. Going Concern Assumption and Comparability of Accounts

These consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the last balance-sheet date, i.e. December 31st 2009. As at the date of signing these financial statements, the Parent Undertaking'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 consolidated financial statements for 2009, no events occurred which have not but ought to have been disclosed in the accounting books for the reporting period. Concurrently, these financial statements do not report any significant events related to prior years.

III. Basis of Consolidation

a) Subsidiaries

A subsidiary is any undertaking 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 undertaking's governing bodies. While assessing whether the Group does control a given undertaking, the existence and effect of potential voting rights which may be exercised or converted at a given time are taken into consideration.

Subsidiaries are consolidated with using the full consolidation method starting from the date when the Group assumes control over them and cease to be consolidated when control is lost. Acquisitions of subsidiaries are accounted for by applying 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, plus costs directly related to the acquisition. 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 minority 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 the acquisition cost 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 to 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 subsidiaries have been changed whenever it was deemed necessary to align them with the accounting policies applied by the Group.

b) Minority Interests and Transactions with Minority Shareholders

Minority interests represent those equity interests in consolidated undertakings which are not held by the Group. Minority interests are measured as such value of a related undertaking's net assets which as at the acquisition date is attributable to shareholders from outside the Group. This value is decreased/increased by any increases/decreases attributable to minority interests, with the reservation that losses may be attributed to minority interests only as far as they are covered by the minority interests. Any excess losses are charged against the Group's equity. The Group has followed the principle according to which transactions with minority shareholders are treated as transactions with third parties, not related to the Group.

c) Associates

An associate is an undertaking over which the Group has significant influence, but not control. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power in an undertaking's governing bodies. Investments in associates are accounted for using the equity method and are initially recognised at cost.

As from the acquisition date, 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 undertaking's other capitals 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 undertakings have been included in these consolidated financial statements for the periods ended December 31st 2009 and December 31st 2008:

Undertaking	% of total vote	
	Dec 31 2009	Dec 31 2008
SECO/WARWICK S.A.	Parent Undertaking	
Lubuskie Zakłady Termotechniczne Elterma S.A.	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
OOO SECO/WARWICK Group Moscow	100%	100%
Przedsiębiorstwo Handlowo-Usługowe Eltus Sp. z o.o.	100%	100%
SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd.	50%	50%
Retech Systems LLC	50%	50%
SECO/WARWICK Allied Pvt. Ltd.	50%	50%

IV. Description of Adopted Accounting Policies, Including Methods of Measurement of Assets, Equity and Liabilities, Revenue and Expenses

These consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value through profit or loss (or in accordance with IAS 39 if hedge accounting is applied).

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

Presentation of Financial Statements

Presentation of the statement of financial position

In accordance with IAS 1 *Presentation of financial statements*, assets and liabilities are presented in the 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 in the period. The weighted average number of shares accounts for the dilutive effect related to the issue of shares at 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 benefits to the entity.

Intangible items 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 item meets the recognition criteria for an intangible 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 expense of the period.

Components of intangible items created as a result of development work are capitalised by the Group only of the following criteria are met:

- it is certain that the intangible item will be completed,
- the feasibility of the asset for use or sale can be demonstrated,
- the expenditure incurred can be measured reliably.

Goodwill arises on acquisition of a business entity and corresponds to the excess of the cost of the business combination over the acquiring entity's share of 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 indicators of impairment.	Annual assessment whether there are any indicators of impairment.

Property, Plant and Equipment

Property, plant and equipment is 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 an amount 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. Tangible assets under construction are not depreciated.

Investment Property

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

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

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

Financial Assets and Liabilities

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

Financial liabilities include loans and borrowings, other types of financing, overdraft facilities, financial liabilities at fair value through profit or loss, 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 impairment charges for doubtful receivables. Impairment charges for 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 significant, the value of receivables 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 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 and not 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 Loans and other financial liabilities are initially recognised at fair value and then carried at amortised cost using the effective interest method.

Transaction costs directly connected with an acquisition or issue of a financial liability increase the carrying value 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 existence of the liability, using effective interest.

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 is subject to 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 undertaking the hedge, at the time when the hedge is undertaken. The relevant documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as information 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 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 in all the reporting periods covered by the hedge.

Inventories

Inventories are measured at cost, using a weighted average cost formula. A downward adjustment of the value of inventories to the net selling price is made by way of impairment charges. In addition, inventories that have become obsolete or unusable, and inventories whose usability has become in any way limited, are revalued 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 charges for 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 unused tax loss carryforwards. A deferred tax asset is recognised for temporary differences to the extent it is probable that the asset will be realised and that taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed at each balance-sheet date. A previously unrecognised deferred tax asset is recognised to the extent it is probable that there will be future taxable income against which the assets can be realised.

A deferred tax asset is 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 will 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 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 time value of money is significant, the value 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 judgment 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 to 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 actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested will be insufficient to meet the expected benefits) fall on the Group.

Assumptions underlying the estimates and the level of provisions are reviewed at each balance-sheet date.

Accruals and Deferrals

In order to ensure the matching of revenues with related expenses, expenses or revenues relating to future periods 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 consolidated financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the consolidated financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2009 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 Charges for Tangible Assets Used under Finance Lease Agreements

Depreciation 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 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 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 paragraph 9 of IAS 11.

The Group applies the above rules to account for commercial contracts related to the Group's core business whose performance term exceeds 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 accrue only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted by 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 a 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 cooperator costs not yet invoiced, provided that all of the following conditions are met:

a) such costs can be measured reliably,
b) the value of the cooperation contract is PLN 250,000 – PLN 500,000,
c) the contract performance term is longer than three months.

The revenue as at the end of the reporting period is determined by reference to the stage 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 sales revenue 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 Judgment

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 judgments as at December 31st 2009 were made with respect to contingent liabilities and provisions for claims.

VI. Changes in Accounting Policies

Below are presented new standards and IFRIC interpretations which have been published by the International Accounting Standards Board and are effective for reporting periods beginning on or after January 1st 2009.

- IFRS 8 *Operating Segments*

IFRS 8 was issued by the International Accounting Standards Board on November 30th 2006 and is effective for annual periods beginning on or after January 1st 2009. IFRS 8 replaces IAS 14 *Segment Reporting*. The standard defines new requirements regarding segment reporting and disclosure of information on products and services, geographical areas in which the entity operates, and main customers. IFRS 8 requires a management approach to reporting on financial performance of operating segments.

- Amendment to IFRS 2 *Share-Based Payments*

The amendment to IFRS 2 was published by the International Accounting Standards Board on January 17th 2008 and is effective for annual periods beginning on or after January 1st 2009. The amendment deals with two matters: (1) it clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions and (2) it specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- Revised IAS 23 *Borrowing Costs*

Revised IAS 23 was published by the International Accounting Standards Board on March 29th 2007 and is effective for annual periods beginning on or after January 1st 2009. The amendment requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale). Under the revised standard, it is no longer possible to expense borrowing costs immediately in the period in which they are incurred.

- IFRIC 13 *Customer Loyalty Programmes*

IFRIC 13 was issued by the International Financial Reporting Interpretations Committee on June 28th 2007 and is effective for annual periods beginning on or after January 1st 2009. The Interpretation addresses how companies that grant their customers credits or points under loyalty schemes or card programmes should account for transactions under such schemes and programmes. In particular, IFRIC 13 shows the correct way of accounting for the obligation to provide free or discounted goods or services if and when the customers redeem the points.

- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 14 was issued by the International Financial Reporting Interpretations Committee on July 9th 2007 and is effective for annual periods beginning on or after January 1st 2009. The Interpretation addresses how entities should determine the limit placed by IAS 19 on the amount of a surplus of the fair value of assets in a defined benefit plan over the present value of the defined benefit obligations which they can recognise as an asset. Moreover, IFRIC 14 addresses how the minimum statutory or contractual funding requirements may affect the amount of an asset or obligation under a defined benefit plan.

- Revised IAS 1 *Presentation of Financial Statements*

Revised IAS 1 was published by the International Accounting Standards Board on September 6th 2007 and is effective for annual periods beginning on or after January 1st 2009. The changes introduced by the Group relate mainly to the presentation of items of income and expenses, as the Group decided to present two separate income statements (a statement of comprehensive income and a statement of comprehensive income) and to the presentation of equity. These changes were introduced to help users of financial statements to analyse and compare the information.

- Amendments to IAS 32 *Financial Instruments: Disclosure and Presentation*, and to IAS 1 *Presentation of Financial Statements*

Amendments to IAS 32 and IAS 1 were published by the International Accounting Standards Board on February 14th 2008 and are effective for annual periods beginning on or after January 1st 2009. The amendments address the issue of accounting for particular types of financial instruments that have characteristics similar to equity instruments but are at present classified as financial liabilities. Under the amended standard, financial instruments such as puttable financial instruments and instruments that impose on entities an obligation to deliver to another party a share of the net assets of the entity only on liquidation should be classified as equity, provided they meet specific conditions.

- Improvements to IFRSs 2008

In May 2008, the International Accounting Standards Board issued Improvements to IFRSs – a collection of amendments to 20 standards. The amendments involve accounting changes for presentation, recognition and measurement purposes as well as terminology and editorial changes. Most of the amendments are effective for annual periods beginning on or after January 1st 2009.

- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards*, and to IAS 27 *Consolidated and Separate Financial Statements*

Amendments to IFRS 1 and IAS 27 were published by the International Accounting Standards Board on May 22nd 2008 and are effective for annual periods beginning on or after January 1st 2009. The amended standards allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendment to IAS 39 *Eligible Hedged Items* was published by the International Accounting Standards Board on July 31st 2008 and is effective for annual periods beginning on or after July 1st 2009. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations. The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt instrument. It also forbids including time value in the one-sided hedged risk when designating options as hedges.

- Amendments to IFRS 7 *Financial Instruments: Disclosures*

The amendments to IFRS 7 *Financial Instruments: Disclosures* were published by the International Accounting Standards Board on March 5th 2009 and are effective from January 1st 2009. The amendments introduce a three-level fair value disclosure hierarchy and require additional disclosures about the relative reliability of fair value measurements. Moreover, the amendments clarify and enhance existing disclosure requirements concerning liquidity risk.

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

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 effective for the current reporting period.

- Revised IFRS 3 *Business Combinations*

Revised IFRS 3 was published by the International Accounting Standards Board on January 10th 2008 and is effective prospectively for annual periods beginning on or after July 1st 2009. The revised standard continues to apply the acquisition method of accounting for business combinations, however with some significant changes. For instance, all payments to purchase a business should be recognised at their acquisition-date fair value, with contingent payments classified as debt subsequently remeasured through profit or loss. Additionally, the revised standard defines new rules of applying the acquisition method, including a requirement to recognise acquisition-related costs as expenses in the period in which they are incurred. Moreover, there is a choice to measure the minority interest (non-controlling interest) in an acquiree either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The Group will apply the revised IFRS 3 starting from the annual financial statements for the period that begins on January 1st 2010.

- Revised IAS 27 *Consolidated and Separate Financial Statements*

Revised IAS 27 was published by the International Accounting Standards Board on January 10th 2008 and is effective for annual periods beginning on or after July 1st 2009. The standard requires that the effects of transactions with minority shareholders be presented within equity as long as the entity remains under the control of the existing parent. The standard provides also a more detailed guidance on disclosure in the event of loss of control over a subsidiary, i.e. it requires that the residual holding be remeasured to fair value and the difference recognised in profit or loss.

The Group will apply the revised IAS 27 prospectively to transactions with minority shareholders (holders of non-controlling interest) starting from the annual financial statements for the period that begins on January 1st 2010.

- Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*

The amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* were published by the International Accounting Standards Board on March 12th 2009 and are effective for annual periods ended on or after June 30th 2009.

The amendments constitute an improvement on the amendments to IFRIC 9 and IAS 39 issued in October 2008 concerning embedded derivatives. The amendments clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.

The Group will apply amendments to IFRIC 9 and IAS 39 from January 1st 2010.

- Improvements to IFRSs 2009

On April 16th 2009, the International Accounting Standards Board published Improvements to IFRSs 2009 – a collection of amendments to 12 standards. The amendments involve accounting changes for presentation, recognition and measurement purposes as well as terminology and editorial changes. Most of the amendments are effective for annual periods beginning on or after January 1st 2010.

- Amendments to IFRS 1 *First-Time Adoption of IFRSs*

Amendments to IFRS 1 *First-Time Adoption of IFRSs* were published by the International Accounting Standards Board on July 23rd 2009 and are effective for annual periods beginning on or after January 1st 2010. The amendments introduce additional exemptions from asset valuation as at the date of first-time adoption of the IFRSs for entities operating in the oil and gas sectors.

- Amendments to IFRS 2 *Share-Based Payments*

Amendments to IFRS 2 *Share-Based Payments* were published by the International Accounting Standards Board on June 18th 2009 and are effective for annual periods beginning on or after January 1st 2010. The amendments clarify the accounting for group cash-settled share-based payment transactions. The amendments specify the scope of IFRS 2 and regulate the interaction of IFRS 2 and other standards. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 and IFRIC 11.

- IFRIC 12 *Service Concession Arrangements*

Interpretation IFRIC 12 was issued by the International Financial Reporting Interpretations Committee on November 30th 2006 and is effective for annual periods beginning on or after March 29th 2009. The interpretation provides guidance for application of the existing standards by entities participating in service concession arrangements between the private and the public sector. IFRIC 12 applies to contracts under which the grantor controls the kind of services that the operator provides using the infrastructure, as well as the recipient and price of these services.

The Group will apply IFRIC 12 starting from the annual financial statements for the period that begins on January 1st 2010.

- IFRIC 15 *Agreements for the Construction of Real Estate*

Interpretation IFRIC 15 was issued by the International Financial Reporting Interpretations Committee on July 3rd 2008 and is effective for annual periods beginning on or after January 1st 2010. The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate should fall within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* for the purpose of presentation in financial statements. Moreover, IFRIC 15 clarifies when to recognise the revenue from provision of construction services.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

Interpretation IFRIC 16 was issued by the International Financial Reporting Interpretations Committee on July 3rd 2008 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on how to determine whether risk arises from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. Moreover, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 explains also how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

The Group will apply IFRIC 16 starting from the annual financial statements for the period that begins on January 1st 2010.

- IFRIC 17 *Distributions of Non-Cash Assets to Owners*

Interpretation IFRIC 17 was issued by the International Financial Reporting Interpretations Committee on November 27th 2008 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on the moment of recognition of dividend, measurement of dividend and recognition of the difference between the value of dividend and the carrying amount of the distributed assets.

The Group will apply IFRIC 17 starting from the annual financial statements for the period that begins on January 1st 2010.

- IFRIC 18 *Transfer of Assets from Customers*

Interpretation IFRIC 18 was issued by the International Financial Reporting Interpretations Committee on January 29th 2009 and is effective for annual periods beginning on or after July 1st 2009. The interpretation provides guidance on the recognition of transfer of assets from customers, namely it clarifies the circumstances in which the definition of an asset is met, the identification of the separately identifiable services (services in exchange for the transferred asset), the recognition of revenue and the accounting for transfers of cash from customers.

The Group will apply IFRIC 18 starting from the annual financial statements for the period that begins on January 1st 2010.

Alternative Approaches under the IFRSs Chosen by the Group

Some IFRSs allow application of alternative methods for the measurement or recognition of assets and liabilities. The table below provides information on the approaches chosen by the Group:

Standard	Alternative approach applied by the Group
IAS 2 *Inventories*	Inventories are measured at cost, determined using the weighted average cost method.
IAS 16 *Property, Plant and Equipment*	Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.
IAS 38 *Intangible Assets*	Intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses.

THE SECO/WARWICK GROUP

ADDITIONAL NOTES AND EXPLANATIONS TO
THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009

Note 1. SALES REVENUE

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

Sales revenue and total revenue and income of the Group:

Item	2009	2008
Sale of products	122,567	260,315
Sale of goods for resale and materials	1,163	1,780
TOTAL sales revenue	**123,730**	**262,095**
Other operating income	2,244	1,319
Finance income	1,440	2,709
TOTAL revenue and income	**127,414**	**266,123**

The Group did not carry any revenue from discontinued operations.

Note 2. OPERATING SEGMENTS

IFRS 8 *Operating Segments*, which has superseded previously binding IAS 14 *Segment Reporting*, is effective as of January 1st 2009. The new standard introduces the "management approach" to segment disclosures and requires that segment information be presented based on those components of the entity that management monitors in making decisions about operating matters. An operating segment is a component of an entity for which discrete financial information is available and whose operating results are reviewed regularly by the entity's chief decision maker to make decisions about resources to be allocated to the segment and assess its performance. This change in accounting standards has had no impact on the Group's segment reporting.

The SECO/WARWICK Group's business comprises the following segments:

Vacuum Furnaces

Vacuum furnaces have multiple applications in a number of industries, including the machine tool, aviation, energy, electrical engineering, medical equipment, automotive and specialised industries. The vacuum furnace solutions may be used in a wide variety of processes such as heat treatment of steel and alloys, brazing, sintering, and degassing. Vacuum furnaces are not only economically efficient but also environmentally friendly.

Controlled Atmosphere Aluminum Brazing (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 sector, 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

Atmosphere furnaces are widely used in the process of heat and/or chemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for heat and chemical treatment are employed in the gas carburising, gas nitriding and other processes. The furnaces are meant chiefly for the automotive and metal industries, including for the manufacturing of anti-friction bearings, as well as for use in commercial hardening plants and specialised industries.

Aluminium Process

The SECO/WARWICK Group specialises in a selected range of aluminium heat treat 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 advanced technological 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 market of Russia and former USSR countries (Russia and former USSR countries)
- the US market,
- the Turkish market (Turkey),
- other countries.

Segment reporting covers only revenues and income, costs and expenses, and the financial result of a given operating segment. It is impracticable for the Group to allocate assets to the particular segments as its plant and equipment (including buildings and structures) is common to all the segments.

OPERATING SEGMENTS IN 2009

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	30,316	28,689	25,176	9,885	5,311	99,377		24,353	**123,730**
External sales, including:	30,316	28,689	25,176	9,885	5,311	99,377		24,353	123,730
- sales to customers who account for 10% or more of total segment revenue	19,570	22,793	17,338	6,068	4,670	70,439		3,700	74,139
Inter-segment sales									
Total costs and expenses	(23,295)	(14,871)	(19,979)	(8,855)	(3,368)	(70,368)		(19,368)	**(89,736)**
General and administrative expenses								(25,040)	(25,040)
Selling costs								(9,620)	(9,620)
Operating income								2,244	2,244
Operating expenses								(1,655)	(1,655)
Profit (loss) on continuing operations before tax and finance expenses	**7,022**	**13,818**	**5,196**	**1,031**	**1,943**	**29,010**			**(76)**
Finance income								1,440	1,440
Net finance expenses								(8,326)	(8,326)
Share of profits of associates								7,006	7,006
Pre-tax profit (loss)									**44**
Income tax								(1,003)	(1,003)
Net profit (loss) for period									**(960)**

OPERATING SEGMENTS IN 2008

Item	Continuing operations						Discontinued operations	Unallocated items	Total operations
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	67,048	54,538	68,825	21,081	19,963	231,455		30,639	**262,095**
External sales, including:	67,048	54,538	68,825	21,081	19,963	231,455		30,639	**262,095**
- sales to customers who account for 10% or more of total segment revenue	8,165	30,466	30,512	6,238	19,956	95,336		10,842	106,178
Inter-segment sales									
Total costs and expenses	(53,177)	(41,462)	(52,308)	(16,310)	(13,515)	(176,772)		(22,912)	**(199,684)**
General and administrative expenses								(25,290)	(25,290)
Selling costs								(10,384)	(10,384)
Operating income								1,319	1,319
Operating expenses								(2,667)	(2,667)
Profit (loss) on continuing operations before tax and finance expenses	**21,371**	**8,052**	**2,117**	**14,615**	**2,510**	**48,665**			**25,388**
Finance income								2,709	2,709
Net finance expenses								(16,946)	(16,946)
Share of profits of associates								5,960	5,960
Pre-tax profit (loss)									**17,111**
Income tax								(2,433)	(2,433)
Net profit (loss) for period									**14,678**

GEOGRAPHICAL SEGMENTS IN 2009

Item	*Poland*	*EU*	*Russia and former USSR*	*US*	*Turkey*	*Other*	**Total**
Total segment revenue	**15,858**	**52,759**	**15,260**	**21,328**	**4,776**	**13,749**	**123,730**
External sales – continuing operations, including:	15,858	52,759	15,260	21,328	4,776	13,749	**123,730**
- sales to customers who account for 10% or more of total segment revenue	2,320	17,405	9,969	4,585	4,405	4,585	**43,268**
External sales – discontinued operations							
Segment non-current assets	96,707			12,925		2,673	**112,305**
Capital expenditure	7,404			65		31	**7,500**

GEOGRAPHICAL SEGMENTS IN 2008

Item	*Poland*	*EU*	*Russia and former USSR*	*US*	*Turkey*	*Other*	**Total**
Total segment revenue	**56,551**	**82,320**	**32,707**	**57,870**	**9,233**	**23,413**	**262,095**
External sales – continuing operations, including:	56,551	82,320	32,707	57,870	9,233	23,413	**262,095**
- sales to customers who account for 10% or more of total segment revenue	24,985	18,321	28,379	9,291	9,103	10,453	**100,533**
External sales – discontinued operations							
Segment non-current assets	76,059		550,	26,212		5,851	**108,673**
Capital expenditure	5,393			214		60	**5,667**

Note 3. OPERATING EXPENSES

COSTS BY TYPE	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Depreciation and amortisation	4,951	4,331
Raw materials and energy used	51,308	126,785
Contracted services	18,307	35,798
Taxes and charges	862	920
Salaries and wages	37,536	46,537
Social security and other benefits	8,338	10,210
Defined benefit plan	651	84
Other costs by type	10,745	13,143
Total costs by type, including:	**132,697**	**237,808**
Selling costs	(9,620)	(10,384)
General and administrative expenses	(25,040)	(25,290)
Change in products	(5,011)	58
Cost of products and services for own needs	(4,356)	(3,652)
Cost of products and services sold	**88,670**	**198,539**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN THE INCOME STATEMENT	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Items recognised in cost of sales:	**2,830**	**2,353**
Depreciation of tangible assets	2,587	2,169
Amortisation of intangible assets	243	184
Impairment of property, plant and equipment		
Items recognised in selling costs:	**309**	**205**
Depreciation of tangible assets	216	129
Amortisation of intangible assets	93	76
Cost of operating leases		
Items recognised in general and administrative expenses:	**1,797**	**1,760**
Depreciation of tangible assets	1,391	1,260
Amortisation of intangible assets	406	500
Cost of operating leases		
Items recognised in other operating expenses:	**13**	**13**
Depreciation of investment property	13	13

EMPLOYEE BENEFITS

PERSONNEL COSTS	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Salaries and wages	37,536	46,537
Social security and other benefits	8,338	10,210
Defined benefit plan	651	84
Retirement benefits		
Other post-employment benefits		
Share-based payment scheme	2	
Total employee benefits, including:	**46,527**	**56,831**
Items recognised in cost of sales	25,617	35,408
Items recognised in selling costs	6,233	6,503
Items recognised in general and administrative expenses	14,677	14,920

Note 4. OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Reversal of impairment losses on receivables	500	66
Reversal of impairment losses on inventories	157	
Release of provisions		-
Gain on sale of property, plant and equipment	9	3
Release of provision for penalties		105
Subsidies	30	60
Penalties and compensation/damages received	511	250
Settlement of stock-taking surpluses		3
Income from lease of tangible assets and investment property	361	447
Other	676	385
Total other operating income	**2,244**	**1,319**

OTHER OPERATING EXPENSES	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Impairment loss on receivables	662	1,000
Revaluation of inventories		157
Loss on sale of property, plant and equipment	1	54
Court expenses, compensation/damages, penalties	3	528
Cost of lease of tangible assets	44	112
Cost of discontinued production	268	
Donations	40	80
Liquidation of inventories	110	259
Other	527	477
Total other operating expenses	**1,655**	**2,667**

Note 5. FINANCE INCOME AND EXPENSES

FINANCE INCOME	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Interest income	306	535
Revaluation of investments	1,134	-
Net foreign exchange gains		2,174
Dividends received		-
Other		
Total finance income	**1,440**	**2,709**

FINANCE EXPENSES	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Interest expenses	256	458
Finance charge in finance leases		59
Loss on derivative instruments at maturity	3,090	3,018
Balance-sheet valuation of derivative instruments		13,241
Net foreign exchange losses	4,908	
Other	72	170
Total finance expenses	**8,326**	**16,946**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the Group's tax expense for the annual periods ended December 31st 2009 and December 31st 2008 were as follows:

INCOME TAX DISCLOSED IN THE INCOME STATEMENT	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Current income tax	**382**	**4,081**
Current income tax expense	192	4,081
Adjustments to current income for previous years	190	
Deferred income tax	**621**	**-1,649**
Related to origination and reversal of temporary differences	621	- 1,649
Related to lowering of income tax rates		
Income tax benefit arising from transactions involving items of equity		
Tax expense disclosed in the income statement	**1,003**	**2,433**

Deferred income tax disclosed in the income statement is equal to the difference between the balances of deferred tax liabilities and deferred tax assets as at the end and as at the beginning of reporting periods.

DISCLOSURES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
Exchange differences on translating foreign operations	-1,210	10,012
Valuation of cash flow hedging derivatives	2,729	-2,729
Actuarial gains/(losses) on a defined benefit retirement plan	675	-1,845
Income tax related to other comprehensive income	-789	507
Other comprehensive income	**679**	**6,463**

Item	*Dec 31 2009*		*Dec 31 2008*	
	carrying amount	*amount disclosed in the income statement*	*carrying amount*	*amount disclosed in the income statement*
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	6,486	(405)	6,891	703
Retirement benefits of SECO/WARWICK Corp.			-	(178)
Fair-value remeasurement of financial assets available for sale			-	-
Finance leases	156	21	135	19
Other	172	32	140	45
Foreign exchange gains	218	(963)	1,181	649
Adjustments to long-term contracts	3,507	(1,549)	5,056	1,119
Valuation of financial assets	228	(9)	237	42
Deferred tax liabilities	**10,767**	**(2,873)**	**13,640**	**2,399**

Deferred tax assets				
Provision for old-age and disability retirement severance pays	1,049	(811)	1,860	1,808
Provision for length-of-service awards and bonuses	48	(28)	76	(260)
Provision for unused holidays	153	(44)	198	(48)
Provision for losses on contracts	63	63	-	(28)
Provision for warranty repairs	577	75	502	(26)
Other provisions	31	(112)	143	(549)
Losses deductible from future taxable income	617	617	-	(131)
Assets arising under long-term contracts	303	(580)	883	815
Deductible temporary differences	74	(21)	95	(325)
Other	266	265	1	1
Valuation of financial instruments	337	(2,179)	2,516	2,516
Salaries, wages and social security contributions payable in subsequent periods	162	-458	621	20
Lease liabilities	103	(10)	113	1
Impairment losses on inventories	297	(46)	342	55
Impairment losses on receivables	53	(235)	288	201
Deferred tax assets	**4,133**	**-3,503**	**7,638**	**4,048**

Item	Dec 31 2009		Dec 31 2008	
	carrying amount	*amount recognised in equity*	*carrying amount*	*amount recognised in equity*
Valuation of financial instruments – equity component			519	519
Deferred tax assets			**519**	**519**

Note 7. DISCONTINUED OPERATIONS

No operations have been discontinued at the Group.

In the period January 1st – December 31st 2009, the Group carried no assets or liabilities classified as held for sale.

Note 8. 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 to 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 to ordinary shares).

Item	Dec 31 2009	Dec 31 2008
Net profit on continuing operations attributable to shareholders	(960)	14,678
Loss on continuing operations attributable to shareholders		
Net profit attributable to owners of the parent	(960)	14,678
Interest on redeemable preference shares convertible to ordinary shares		
Net profit attributable to ordinary shareholders, used to calculate diluted earnings per share	**(960)**	**14,678**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	9,572,003	9,572,003
Dilutive effect:		
Stock options		
Redeemable preference shares		
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	9,572,003	9,572,003
Earnings per share	(0.10)	1.53

All the material events subsequent to the balance-sheet date have been reported in current reports, which can be viewed at www.secowarwick.com.pl

Note 9. DIVIDENDS PROPOSED OR APPROVED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

No dividends were paid in 2009 or in 2008. By the date of publication of these financial statements, no resolutions concerning dividend were adopted.

Note 10. PROPERTY, PLANT AND EQUIPMENT

Item	Dec 31 2009	Dec 31 2008
Tangible assets	42,303	46,247
Tangible assets under construction	3,528	829
Prepayments for tangible assets under construction		
Property, plant and equipment	**45,831**	**47,076**

Changes in property, plant and equipment (by type) – between January 1st and December 31st 2008:

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2008	**2,351**	**24,875**	**21,249**	**3,473**	**2,408**	**54,356**
Increase, including:	**10**	**1,040**	**3,093**	**1,094**	**351**	**5,588**
assets acquired		765	3,071	791	317	4,944
assets generated internally		275	22	-	34	331
lease agreements concluded				303		303
other	10	-	-	-	-	10
Decrease, including:	**-**	**-**	**412**	**223**	**37**	**672**
disposal	-	-	81	219	4	304
liquidation	-	-	331	4	33	368
other	-	-	-	-	-	-
Gross carrying value as at Dec 31 2008	**2,361**	**25,915**	**23,930**	**4,344**	**2,722**	**59,272**
Cumulative depreciation as at Jan 1 2008	**-**	**2,259**	**5,844**	**1,241**	**746**	**10,090**
Increase, including:	-	810	2,189	567	228	3,795
depreciation	-	810	2,189	567	228	3,795
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**352**	**132**	**19**	**503**
sale	-	-	85	128	1	214
liquidation	-	-	267	4	18	289
revaluation	-	-	-	-	-	-
Cumulative depreciation as at Dec 31 2008	**-**	**3,070**	**7,681**	**1,676**	**955**	**13,382**
Impairment loss as at Jan 1 2008	**-**	**-**	**-**	**-**	**-**	**-**
Impairment loss as at Dec 31 2008	**-**	**-**	**-**	**-**	**-**	**-**
Net exchange differences on translation of financial statements into presentation currency	9	225	83	22	16	356
Net carrying value as at Dec 31 2008	**2,370**	**23,070**	**16,332**	**2,691**	**1,784**	**46,247**

Changes in property, plant and equipment (by type) – between January 1st and December 31st 2009:

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Total
Gross carrying value as at Jan 1 2009	**2,361**	**25,915**	**23,930**	**4,344**	**2,722**	**59,272**
Increase, including:	**-**	**736**	**248**	**313**	**32**	**1,329**
assets acquired	-	611	208	160	32	1,011
assets generated internally	-	125	40	-	-	165
lease agreements concluded	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**807**	**141**	**2**	**950**
disposal	,	,	772	46	-	**818**
liquidation	,	,	35	95	2	**132**
other	-	-	-	-	-	-
Gross carrying value as at Dec 31 2009	**2,361**	**26,651**	**23,371**	**4,516**	**2,752**	**59,651**
Cumulative depreciation as at Jan 1 2009	**-**	**3,070**	**7,681**	**1,676**	**955**	**13,382**
Increase, including:	**-**	**3,070**	**7,681**	**1,676**	**955**	**13,382**
depreciation	-	854	2,396	589	262	4,101
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	**-**	**-**	**242**	**89**	**2**	**333**
sale	-	-	214	40	-	254
liquidation	-	-	28	49	2	79
revaluation	-	-	-	-	-	-
Cumulative depreciation as at Dec 31 2009	**-**	**3,924**	**9,836**	**2,176**	**1,215**	**17,150**
Impairment loss as at Jan 1 2009	-	-	-	-	-	-
Impairment loss as at Dec 31 2009	-	-	-	-	-	-
Net exchange differences on translation of financial statements into presentation currency	-12	-12	-183	8	0	-199
Net carrying value as at Dec 31 2009	**2,349**	**22,715**	**13,352**	**2,348**	**1,538**	**42,303**

OWNERSHIP STRUCTURE – net value	Dec 31 2009	Dec 31 2008
Owned	**44,931**	**46,198**
Used under lease, tenancy or similar contract	1,013	878
Total	**45,944**	**47,076**

Tangible Assets under Construction:

Tangible assets under construction as at Jan 1 2008	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Balance as at Dec 31 2008*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
1,391	**5,517**	1,000	4,136	644	211	87	**829**
Tangible assets under construction as at Jan 1 2009	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Balance as at Dec 31 2009*
		Buildings, premises and civil engineering structures	*Plant and equipment*	*Vehicles*	*Other tangible assets*	*Intangible assets*	
829	**4,010**	735	177	141	20	238	**3,528**

Tangible assets under construction	Dec 31 2009	Dec 31 2008
Modular line	2,135	555
Test furnace	1,372	
Modernisation at the production floor	19	
Other	2	274
TOTAL	**3,528**	**829**

As at December 31st 2008 and December 31st 2009, the Group carried no tangible assets held for sale.

Value and Area of Land Held in Perpetual Usufruct (not Applicable to Foreign Companies):

Address	Number of Land and Mortgage Register Entry	Lot No.	Surface area [m2] as at Dec 31 2009	Value as at Dec 31 2009 (PLN'000)	Surface area [m2] as at Dec 31 2008	Value as at Dec 31 2008
Świebodzin, ul. Sobieskiego 8	KW 1306	95/7	5,098	289	5,098	289
Świebodzin, ul. Sobieskiego 8	KW 9562	94/4	2,467	140	2,467	140
Świebodzin, ul. Sobieskiego 8	KW 9444	94/16	285	97	285	97

Świebodzin, ul. Sobieskiego 8	KW 9507	94/23	119	6 (originally lot No.: 94/17 KW 9444)	119	6 (originally lot No.: 94/17 KW 9444)
	KW 9444	94/22	1,415		1,415	
Świebodzin, ul. Sobieskiego 8	KW 9507	94/21	2,645	150	2,645	150
Świebodzin, ul. Sobieskiego 8	KW 19319	94/19	214	12	214	12
Świebodzin, ul. Sobieskiego 8	KW 9507	94/8	110	6	110	6
Świebodzin, ul. Sobieskiego 8	KW 39300	94/25	1,279	73	1,279	73
Świebodzin, ul. Świerczewskiego 76	KW 40641	195/80	11,605	23	11,605	23
Świebodzin, ul. Świerczewskiego 76	KW 41410	195/94	221	1	221	1
Świebodzin, ul. Sobieskiego 8	KW 9507	94/6	1,121	10	1,121	10
Świebodzin, ul. Świerczewskiego 76	KW 10363	195/97	28,366	594	28,366	594
Świebodzin, ul. Świerczewskiego 76	KW 10363	195/96	7,940	166	7,940	166
		Total	**62,885**	**1,567**	**62,885**	**1,567**

As at December 31st 2008, land and buildings with the carrying value of PLN 4,385 thousand were encumbered by a mortgage securing the repayment of bank loans contracted by SECO/WARWICK S.A. (see Note 24).

Tangible Assets under Lease Agreements

Tangible assets	Dec 31 2009			Dec 31 2008		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Real property						
Plant and equipment	693	145	548	693	97	596
Vehicles	637	172	465	344	62	282
Other tangible assets						
Total	**1,330**	**317**	**1,013**	**1,037**	**159**	**878**

In the period January 1st – December 31st 2009, no impairment losses were recognised.
In the period January 1st – December 31st 2008, no impairment losses were recognised.

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2009	Dec 31 2008
Owned	9,838	6,736
Used under lease, tenancy or similar contract		125
Total	**9,838**	**6,861**

Changes in intangible assets (by type) – between January 1st and December 31st 2008

Item	Patents and licences, software	*Development expense*	*Other intangible assets*	*Total*
Gross carrying value as at Jan 1 2008	**5,721**	**1,200**	**1,638**	**8,560**
Increase, including:	**368**	**504**	**-**	**872**
business combinations	-	-	-	-
acquisitions	360			360
transfer from tangible assets under construction		504		504
other	8			8
Decrease, including:	**49**	**-**	**-**	**49**
disposal of subsidiary				-
disposals	49			49
liquidation	-	-	-	-
revaluation	-	-	-	-
other	-	-	-	-
Gross carrying value as at Dec 31 2008	**6,040**	**1,704**	**1,638**	**9,383**
Cumulative amortisation as at Jan 1 2008	**1,547**	**45**	**453**	**2,045**
Increase, including:	**494**	**60**	**75**	**629**
amortisation	494	60	75	629
revaluation	-	-	-	-
other	-	-	-	-
Decrease, including:	**30**	**-**	**-**	**30**
liquidation		-	-	-
sale	30	-	-	30
other	-	-	-	-
Cumulative amortisation as at Dec 31 2008	**2,011**	**105**	**528**	**2,644**
Impairment loss as at Jan 1 2008	-	-	-	-
Increase, including:	-	-	-	-
Decrease, including:	-	-	-	-
Impairment loss as at Dec 31 2008	-	-	-	-
Net exchange differences on translation of financial statements into presentation currency	123	-		123
Net carrying value as at Dec 31 2008	**4,152**	**1,599**	**1,110**	**6,861**

Changes in intangible assets (by type) – between January 1st and December 31st 2009

Item	**Patents and licences, software**	*Development expense*	*Other intangible assets*	*Total*
Gross carrying value as at Jan 1 2009	**6,040**	**1,704**	**1,638**	**9,383**
Increase, including:	**74**	**3,744**	**-**	**3,818**
business combinations	-	-	-	-
acquisitions	74	-		**74**
transfer from tangible assets under construction		3,744		3,744
other				
Decrease, including:	**1**	**-**	**-**	**1**
disposal of subsidiary				-
disposals	1			1
liquidation	-	-	-	-
revaluation	-	-	-	-
other	-	-	-	-
Gross carrying value as at Dec 31 2009	**6,113**	**5,448**	**1,638**	**13,200**
Cumulative amortisation as at Jan 1 2009	**2,011**	**105**	**528**	**2,644**
Increase, including:	**579**	**74**	**76**	**729**
amortisation	579	74	76	**729**
revaluation	-	-	-	-
other	-	-	-	-
Decrease, including:	**-**	**-**	**-**	**-**
liquidation		-	-	-
sale	-	-	-	-
other	-	-	-	-
Cumulative amortisation as at Dec 31 2009	**2,590**	**179**	**604**	**3,374**
Impairment loss as at Jan 1 2009	**-**	**-**	**-**	**-**
Increase, including:	-	-	-	-
Decrease, including:	-	-	-	-
Impairment loss as at Dec 31 2009	**-**	**-**	**-**	**-**
Net exchange differences on translation of financial statements into presentation currency	**12**	**-**		**12**
Net carrying value as at Dec 31 2009	**3,535**	**5,269**	**1,034**	**9,838**

No intangible assets serve as security for liabilities.

As at December 31st 2008 and December 31st 2009, the Group carried no intangible assets held for sale.

In the period January 1st – December 31st 2009, no impairment losses were recognised.
In the period January 1st – December 31st 2008, no impairment losses were recognised.

Note 12. INVESTMENT PROPERTY

SECO/WARWICK S.A. owns an investment property located at ul. Sobieskiego 8 in Świebodzin, Poland, which comprises a production hall currently leased out to VACMAX. In 2009 and 2008, the property generated lease income of PLN 54 thousand.

Item	Dec 31 2009	Dec 31 2008
Opening balance	**461**	**475**
Increase (subsequent expenditure), including:		**-**
modernisation		-
Decrease, including:	**13**	**14**
depreciation	13	14
sale		-
Closing balance	**448**	**461**

Item	Dec 31 2009	Dec 31 2008
Gross carrying value – opening balance	**527**	**527**
Increase, including:	**-**	**-**
acquisition	**-**	**-**
production	**-**	**-**
other	**-**	**-**
Decrease, including:	**-**	**-**
disposal	**-**	**-**
liquidation	**-**	**-**
other	**-**	**-**
Carrying value – closing balance	**527**	**527**
Cumulative depreciation – opening balance	**66**	**52**
Increase, including:	**13**	**14**
depreciation	**13**	**14**
other	**-**	**-**
Decrease, including:	**-**	**-**
sale	**-**	**-**
other	**-**	**-**
Depreciation – closing balance	**79**	**66**
Impairment loss – opening balance	**-**	**-**
Increase	**-**	**-**
Decrease	**-**	**-**
Impairment loss – closing balance	**-**	**-**
Net carrying value – closing balance	**448**	**461**

Item	Dec 31 2009	Dec 31 2008
Lease income	**54**	**54**

Cost of generating lease income	**22**	**20**
real property tax	9	6
depreciation	13	14

Note 13. GOODWILL

The table below presents increases/decreases in goodwill in connection with the consolidation of subsidiary SECO/WARWICK Corporation using the full consolidation method.

Item	*Dec 31 2009*	*Dec 31 2008*
Consolidation goodwill at beginning of period	4,452	3,660
Increase in consolidation goodwill – acquisition		-
Exchange differences on translation of goodwill	-168	792
Decrease in goodwill – recognised impairment losses		-
Decrease in goodwill – sale		-
Total goodwill at end of period	**4,284**	**4,452**

Note 14. INVESTMENTS IN SUBORDINATED UNDERTAKINGS

Investments in subsidiaries, jointly controlled entities and associates accounted for using the equity method

Name	Carrying value of shares as at Dec 31 2009	% of share capital held	% of the total vote	Method of consoli-dation	Assets	Liabilities	Revenue	Net profit/ loss
LZT Elterma S.A.	7,657	100%	100%	full method	34,708	9,863	27,673	(2,510)
SECO/WARWICK Corporation	21,806	100%	100%	full method	24,596	13,476	23,365	(4,365)
SECO/WARWICK Moscow	172	100%	100%	full method	1,107	282	1,524	627
SECO/WARWICK Tianjin	1,481	50%	50%	propor-tional method	9,633	3,836	1,810	(1,424)
RETECH	16,597	50%	50%	equity method	35,824	10,738	116,929	13,603
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	29,555	18,760	40,192	409

Name	Carrying value of shares as at Dec 31 2008	% of share capital held	% of the total vote	Method of consoli-dation	Assets	Liabilities	Revenue	Net profit/ loss
Elterma S.A.	7,657	100%	100%	full method	51,176	23,822	72,667	5,041
SECO/WARWICK Corporation	21,806	100%	100%	full method	32,821	17,547	41,963	123
SECO/WARWICK Moscow	172	100%	100%	full method	678	474	461	6
SECO/WARWICK Tianjin	1,481	50%	50%	propor-tional method	13,261	5,882	7,443	1,197
RETECH	16,597	50%	50%	equity method	43,667	29,826	131,581	11,123
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	30,681	21,314	22,966*	797*

***** for the period April 1st – December 31st 2008.

Note 15. INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Retech Systems LLC

The Group holds ordinary shares representing 50% of the share capital of Retech Systems LLC, which confer the right to 50% of the total vote at the general shareholders meeting of Retech. The remaining 50% of votes are held by Mr James A. Goltz. The shares in Retech were acquired by the SECO/WARWICK Group under the share purchase agreement of July 19th 2007.

Item	*Dec 31 2009*	*Dec 31 2008*
Current assets	34,492	60,009
Non-current assets	1,332	1,512
Current liabilities	10,738	38,156
Non-current liabilities	-	-
Share of net assets	12,738	6,480
Revenue	116,929	159,343
Net profit/(loss)	13,603	11,123
Share of profit of associate:	50%	50%

The Parent Undertaking does not control Retech Systems LLC within the meaning of IFRS 3 because it is not able to govern the company's financial and operational policies. Mr Jeffrey Boswell is a member of the Management Board of Retech Systems LLC and does not perform any current operational duties towards Retech Systems LLC. Given the above, and considering the fact that SECO/WARWICK holds more than 20% and less than 51% of ordinary shares in the net assets of the acquired company, the Management Board of the Parent Undertaking believes that SECO/WARWICK has “significant influence” over the acquired entity. In view of the above, the investment in Retech Systems LLC has been accounted for using the equity method in accordance with IAS 28.

The table below presents the fair value of identifiable assets and liabilities of Retech Systems LLC as at the acquisition date.

Item	*Dec 31 2009*	*Dec 31 2008*
Goodwill	19,320	19,320
Share of net assets as at the balance-sheet date	12,738	6,480
Exchange differences on translation of goodwill	(2,047)	1,746
Investment in associate	**30,011**	**27,546**
Acquisition cost	16,596	16,596
Share of profit of associate – 2007	2,328	2,328
Share of profit of associate – 2008	5,562	5,562
Share of profit of associate – 2009	6,802	-
Exchange differences on translation of foreign operation	1,399	3,059
Change in net assets not related to financial result	324	-
Investment in associate	**33,011**	**27,546**

As prescribed under IAS 12.44, the Group recognises deferred tax assets related to deductible temporary differences arising from investments in associates only to the extent it is probable that the temporary differences will reverse in the foreseeable future.

The Management Board of the Parent Undertaking intends the investment in Retech Systems LLC to be a long-term investment (currently there are no plans to sell the shares). In view of that and in accordance with IAS 12.44, no deferred tax assets were not recognised in respect of the deductible temporary differences arising from investments in associates.

SECO/WARWICK Allied Pvt. Ltd.

The Group holds ordinary shares representing 50% of the share capital of SECO/WARWICK Allied Pvt. Ltd., which confer the right to 50% of the total vote at the general shareholders meeting of SECO/WARWICK Allied Pvt. Ltd., an Indian law company. The remaining 50% of votes are held by Messrs U. Rao, N. Rajgopal and V.N. Nasta.

The shares in SECO/WARWICK Allied Pvt. Ltd. were acquired by the SECO/WARWICK Group under the share purchase agreement of April 1st 2008.

Item	Dec 31 2009	Dec 31 2008
Current assets	25,292	29,123
Non-current assets	4,262	1,557
Current liabilities	15,295	17,609
Non-current liabilities	3,465	3,605
Share of net assets	7,032	6,447
Revenue	40,192	22,966*
Net profit/(loss)	409	797*
Share of profit of associate:	50%	50%

* for the period April 1st – December 31st 2008.

The Parent Undertaking does not control SECO/WARWICK Allied Pvt. Ltd. within the meaning of IFRS 3 because it is not able to govern the company's financial and operational policies. Messrs Jeffrey Boswell, Wojciech Modrzyk (Member of Management Board of the Parent Undertaking) and Piotr Walasek (Chief Financial Officer of the SECO/WARWICK Group) are members of the six-person Management Board of SECO/WARWICK Allied Pvt. Ltd. and do not perform any current operational duties towards SECO/WARWICK Allied Pvt. Ltd. Given the above, and considering the fact that SECO/WARWICK holds more than 20% and less than 51% of ordinary shares in the net assets of the acquired company, the Management Board of the Parent Undertaking believes that SECO/WARWICK has "significant influence" over the acquired entity. In view of the above, the investment in SECO/WARWICK Allied Pvt. Ltd. has been accounted for using the equity method in accordance with IAS 28.

The table below presents the fair value of identifiable assets and liabilities of SECO/WARWICK Allied Pvt. Ltd. as at the acquisition date.

Item	Carrying value immediately before the acquisition	Fair value on acquisition
Property, plant and equipment	1,395	4,670
Intangible assets	-	-
Accruals and deferrals	-	-
Deferred tax assets	5	5
Cash and cash equivalents	3,704	3,704
Trade receivables	11,171	11,171
Inventories	3,662	3,662
Other assets	2,969	2,969
Trade payables	(14,180)	(14,180)
Other liabilities	(1,846)	(1,846)
Debt under loans	(1,911)	(1,911)
Deferred tax liabilities	(22)	(22)
Net assets	**4, 921**	**8,222**
Parent Undertaking's share of net assets	**2, 461**	**4,111**

As at the acquisition date, the fair value of identifiable assets exceeded the book value of net assets by PLN 3,275 thousand, of which PLN 1,638 thousand is attributable to the parent. The difference between the book value and the fair value is due to the valuation of property, plant and equipment (in accordance with the Indian GAAP, items of property, plant and equipment are carried at historical cost). As required under IFRS 3, the excess of the fair value of identifiable net assets over the book value of net assets was taken into consideration when accounting for the acquisition and decreased the goodwill.

The acquisition of 50% of shares in SECO/WARWICK Allied Pvt. Ltd. has been accounted for as follows:

Item	*Apr 1 2008*
Acquisition cost	10,995
Share of net assets as at the acquisition date	4,111
Goodwill as at the acquisition date	**6,884**

Item	*Dec 31 2009*	*Dec 31 2008*
Goodwill	6,884	6,884,
Share of net assets as at the balance-sheet date	7,032	6,447
Exchange differences on translation of goodwill	841	784
Investment in associate	**14,757**	**14,115**
Acquisition cost	10,995	10,995
Share of profit of associate – 2008	398	398
Share of profit of associate – 2009	204	-
Payment for preference shares	1,852	1,513
Exchange differences on translation of foreign operation	1,308	1,209
Investment in associate	**14,757**	**14,115**

As prescribed under IAS 12.44, the Group recognises deferred tax assets related to deductible temporary differences arising from investments in associates only to the extent it is probable that the temporary differences will reverse in the foreseeable future.

The Management Board of the Parent Undertaking intends the investment in SECO/WARWICK Allied Pvt. Ltd. to be a long-term investment (currently there are no plans to sell the shares). In view of that and in accordance with IAS 12.44, no deferred tax assets were not recognised in respect of the deductible temporary differences arising from investments in associates.

Note 16. INVENTORIES

Item	Dec 31 2009	Dec 31 2008
Materials (at cost)	12,785	16,186
Semi-finished products and work in progress	2,160	2,647
Finished products	1,084	1,145
Goods for resale	6	124
Total inventories (carrying value)	**16,035**	**20,102**
Impairment loss on inventories	1,092	1,311
Inventories, gross	**17,127**	**21,413**

CHANGES IN IMPAIRMENT LOSSES ON FINISHED PRODUCTS

IMPAIRMENT LOSSES	Materials	Semi-finished products and work in progress	Finished products	Goods for resale	Total
Dec 31 2007	**1,139**	**0**	**16**	**5**	**1,160**
Increase, including:			**157**	**0**	**157**
- impairment losses recognised in correspondence with other operating expenses			157		157
Decrease, including:	**35**	**0**	**3**	**0**	**38**
- impairment losses reversed in correspondence with other operating income	35		3		38
Net exchange differences on translation of financial statements into presentation currency	32				**32**
Dec 31 2008	**1,136**	**0**	**170**	**5**	**1,311**
Increase, including:					
- impairment losses recognised in correspondence with other operating expenses					
Decrease, including:	**63**	**0**	**157**	**0**	**220**
- impairment losses reversed in correspondence with other operating income	46		157		203
Net exchange differences on translation of financial statements into presentation currency	17				17
Dec 31 2009	**1,074**	**0**	**13**	**5**	**1,092**

Note 17. LONG-TERM CONTRACTS

Item	Dec 31 2009	Dec 31 2008
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	58,151	98,064
Advances received	(32,845)	(67,338)
Excess of received advances over revenue recognised using the percentage of completion method	3,652	5,290
Contract settlement, total	**28,958**	**36,016**

Note 18. TRADE AND OTHER RECEIVABLES

Item	*Dec 31 2009*	*Dec 31 2008*
Net trade receivables	**21,103**	**67,086**
- from related undertakings	126	3,748
- from other undertakings	20,977	63,338
Impairment loss (positive value)	1,063	1,525
Gross trade receivables	**22,166**	**68,610**
Other receivables:		
taxes, customs duties and social security receivable	3,060	2,158

other	2,783	2,400
Impairment loss (positive value)		
Gross trade and other receivables	**28,009**	**4,558**

The Group pursues a policy of entering into sales agreements only with customers whose reliability it has checked. Management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to the Company's uncollectible trade receivables.

As at December 31st 2009, trade receivables of PLN 1,063 thousand (in 2008: PLN 1,525 thousand) were classified as unrecoverable and accordingly covered by a relevant impairment charge.

The changes in impairment losses on receivables were as follows:

Item	Dec 31 2009	Dec 31 2008
As at beginning of period	**1,525**	**533**
Increase	505	1,041
Impairment losses used (-)	(953)	(27)
Unused amounts written off (-)		(44)
Discount rate adjustment (-)		
Net exchange differences on translation of financial statements into presentation currency	(14)	21
As at end of period	**1,063**	**1,525**

Maturity structure of trade receivables (gross) (as from the balance-sheet date):

Trade receivables maturing in	Dec 31 2009	Dec 31 2008
up to 1 month	57,915	20,675
more than 1 month to 3 months	5,832	27,756
more than 3 months to 6 months	7,710	6,523
more than 6 months to 1 year	673	9,034
more than 1 year	0	293
past due	1,174	4,330
Total trade receivables (gross)	**21,104**	**68,611**
Impairment loss on trade receivables	1,063	1,525
Total trade receivables (net)	**22,167**	**67,086**

Trade and other receivables by currency:

Item	Dec 31 2009		Dec 31 2008	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	11,088	-	15,399
EUR	2,468	11,609	9,270	38,672
USD	1,504	4,433	5,348	15,835
GBP	-	-	3	11
CHF	-	-	-	-
Other	-	879	-	1,726
Total		**28,009**		**71,644**

Current receivables from related undertakings:

Item	*Dec 31 2009*	*Dec 31 2008*
Trade receivables	**126**	**3,748**
from subsidiaries		
from jointly controlled entities	5	
from associates	121	3,748
from other related entities not covered by these financial statements		
Other current receivables	**17**	**49**
from subsidiaries		
from jointly controlled entities	17	49
from associates		
from other related entities not covered by these financial statements		
Total	**143**	**3,797**

Note 19. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board) – as at Dec 31 2009

No loans were advanced to members of the Management Board or the Supervisory Board in 2009.

	Dec 31 2009	Dec 31 2008
Loans advanced, including:	3	15
- non-current		3
- current	3	12

Financial assets

	Dec 31 2009	Dec 31 2008
Derivative financial instruments	143	
Financial assets at fair value through profit or loss	143	
- non-current		
- current	143	

Financial liabilities

Item	Dec 31 2009	Dec 31 2008
Loans		1,296
Other financial liabilities:		
- valuation of financial instruments	1,772	14,203
- lease liabilities	98	
Total financial liabilities	**1,870**	**16,558**
- non-current	44	1,059
- current	1,826	15,499

	Dec 31 2009		Dec 31 2008	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	143	1,772		15,971
Total financial assets and liabilities at fair value through profit or loss	**143**	**1,772**	**0**	**13,241**
- non-current				
- current		1,772		13,241
Total financial assets and liabilities at fair value through equity				**2,729**
- non-current				
- current				**2,729**

Disclosures Concerning Derivative Financial Instruments which Meet the Hedge Accounting Criteria

In 2009, SECO/WARWICK S.A. hedged up to 75% of its export cash flows denominated in the euro and up to 90% of the cash flows denominated in the US dollar using currency forwards. The purpose was to ensure that the budgeted exchange rates for contracts are met. 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 in accordance with par. 88 of IAS 39 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 as at December 31st 2009.

	Nominal amount of the contract (EUR '000)	Notional amount of the hedging instrument (EUR '000)	Fair value of the hedging instrument (PLN '000)	Amount recognised in the income statement (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	565	419	-290	-290		Jan 27 2010
2	303	225	35	35		Mar 31 2010
3	300	300	32	32		Jul 30 2010
4	229	150	10	10		May 31 2010
TOTAL	**1,397**	**1,094**	**-213**	**-213**	**0**	

	Nominal amount of the contract (USD '000)	Notional amount of the hedging instrument (USD '000)	Fair value of the hedging instrument (PLN '000)	Amount recognised in the income statement (PLN '000)	Amount recognised in equity (PLN '000)	Date of expected cash flow
1	652	400	-26	-26		Sep 30 2010
2	248	190	1	1		Sep 30 2010
3	190	140	-44	-44		Sep 30 2010
TOTAL	**1,090**	**730**	**-69**	**-69**	**0**	

Disclosures Concerning Derivative Financial Instruments Which Do not Meet the Hedge Accounting Criteria

On August 22nd 2008, SECO/WARWICK S.A. entered into a structured forward contract with Citibank Handlowy S.A. of Warsaw. As at the balance-sheet date, the Company is under the obligation to sell in aggregate EUR 2,550 thousand at the EUR/PLN exchange rate of 3.33. The purpose of entering into the transaction was to ensure that the budgeted exchange rate for contracts is met. As at the balance sheet-date, the fair value of the financial instrument was PLN -1,981 thousand as determined by the Bank which is party to the transaction.

On April 21st 2009, SECO/WARWICK S.A. entered into a zero-cost forward contract at WGT. Under the contract, SECO/WARWICK S.A. has the right to sell at the EUR/PLN exchange rate not lower than 4.20 and not higher than 4.66. As at the balance-sheet date, the Company is obliged to sell EUR 2,400 thousand. The purpose of entering into the transaction was to ensure that the budgeted exchange rate for contracts is met. As at the balance-sheet date, the fair value of the financial instrument was PLN 290 thousand.

On May 14th 2009, SECO/WARWICK S.A. entered into a zero-cost forward contract at WGT. Under the contract, SECO/WARWICK S.A. has the right to sell at the EUR/PLN exchange rate not lower than 4.20 and not higher than 4.84. As at the balance-sheet date, the Company is obliged to sell EUR 1,800 thousand. The purpose of entering into the transaction was to ensure that the budgeted exchange rate for a contract is met. As at the balance-sheet date, the fair value of the financial instrument was PLN 220 thousand.

On August 3rd 2009, SECO/WARWICK S.A. purchased a put option at WGT, under which the Company has the right to sell euro at the EUR/PLN exchange rate not lower than 4.6. The Company paid a premium on the purchased option in the amount of 0.505 grosz per each euro of the transaction value. As at the balance-sheet date, the Company is obliged to sell EUR 500 thousand. The purpose of entering into the transaction was to ensure that the budgeted exchange rate for a contract is met. As at the balance-sheet date, the fair value of the financial instrument was PLN -19 thousand.

On July 13th 2009, Lubuskie Zakłady Termotechniczne „Elterma” S.A. entered into the following currency options with BRE BANK S.A. of Warsaw as part of a zero-cost collar strategy:

- purchased a PUT option for EUR 1,000,000, with the exercise price of EUR/PLN 4.2, maturing on April 14th 2010;
- sold a CALL option for EUR 1,000,000, with the exercise price of EUR/PLN 4.7070, maturing on April 14th 2010.

As at the balance-sheet date, the fair value of the financial instrument was PLN 143,150.19 as determined by the Bank which is party to the transaction.

The total value of all executed currency transactions was EUR 1,000,000 (PLN 4,404,500 as at the date of the transactions). The purpose of entering into the currency options was to ensure that the budgeted exchange rate for signed contracts is met.

Disclosures Concerning Expected Cash Flows and Maturities of Currency Forward Contracts (FX Forwards)

Dec 31 2009	Total notional amount of FX forwards (EUR ‘000)	Cash flows from signed contracts (EUR ‘000)
Jan 10	719	447
Feb 10	450	895
Mar 10	4,725	3,620
Apr 10	1,300	3,924
May 10	450	100
Jun 10	800	400
Jul 10	600	2,711
Aug 10	300	560
Sep 10	0	1,620
TOTAL (EUR)	**9,344**	**14,277**
Dec 31 2009	**Total notional amount of FX forwards (USD ‘000)**	**Cash flows from signed contracts (USD ‘000)**
Jan 10		40
Apr 10	140	200
Jun 10		352
Jul 10		44
Sep 10	590	590
TOTAL (USD)	**730**	**1,226**

Note 20. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2009	Dec 31 2008
insurance policies	512	553
subscriptions	8	13
VAT to be settled in the following period	819	1,796
other	401	585
Total current prepayments and accrued income	**1,740**	**2,947**

Note 21. CASH AND CASH EQUIVALENTS

Item	Dec 31 2009	Dec 31 2008
Cash at banks and cash in hand	25,254	11,289
Short-term deposits		1,128
Other cash equivalents		
Total cash and cash equivalents	**25,254**	**12,418**

In the period January 1st – December 31st 2008, restricted cash amounted to PLN 2,307 thousand.

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item			Dec 31 2008	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		13,958	-	9,782
EUR	853	3,808	173	721
USD	2,194	6,254	373	1,103
GBP	7	34	2	10
other		1,200		803
Total		**25,254**		**12,418**

Note 22. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share Capital:

Item		*Dec 31 2008*
Number of shares	9,572,003	9,572,003
Par value of shares	0,2	0,2
Share capital	1,914	1,914
Share capital restated using a hyperinflation index (IAS 19)	1,557	1,557
Share capital at end of period	**3,471**	**3,471**

Share capital structure:

Shareholder	**Type of preference attached to shares**	**Type of limitation on rights to shares**	**Number of shares**
SW Poland Holding B.V. (Netherlands)	none	-	4,119,508
Spruce Holding Limited Liability Company (US)	none	-	1,726,174
ING NN OFE	none	-	723,199
PZU Asset Management S.A.	none	-	513,000
PKO TFI S.A.	none	-	577,716
Other	none	-	1,912,408
TOTAL			**9,572,003**

Changes in share capital:

Item	***Jan 1 – Dec 31 2009***	***Jan 1 – Dec 31 2008***
Share capital at beginning of period	**3,471**	**3,471**
Increases during the period		
Decreases during the period		
Share capital at end of period	**3,471**	**3,471**

Other capitals:

Item	Statutory reserve funds	Other capitals	Capital reserve from revaluation of hedging derivatives	Total
Balance as at Jan 1 2008	**116,610**		**0**	**104,489**
Increase	**21,486**		**-**	**21,142**
Profit distributions	21,482			21,139
Liquidation of tangible assets	3			3
Decrease	**2,303**		**-2,211**	**2,211**
Capital reserve from revaluation of hedging derivatives			-2,211	-2,211
Coverage of loss	2,303			2,303
Balance as at Dec 31 2008	**135,792**		**(2,211)**	**133,582**
Increase	**8,040**		**2,211**	**10,251**
Profit distributions	8,040			8,040
Capital reserve from revaluation of hedging derivatives			2,211	2,211
Valuation of management stock options		2		2
Decrease	**-**	**-**	**-**	**-**
Balance as at Dec 31 2009	**143,833**	**2**	**-**	**143,835**

Note 23. RETAINED EARNINGS (DEFICIT)

Retained earnings (deficit) include also non distributable amounts (amounts that are not available for distribution as dividends):

Item	Dec 31 2009	Dec 31 2008
Non distributable amounts included in retained earnings	**18,600**	**10,783**
Current period net profit (loss)	-960	14,678
Exchange differences	1,072	3,007
Profit (loss) brought forward	18,488	10,783

Note 24. FINANCIAL LIABILITIES

Item	Dec 31 2009	Dec 31 2008
Loans	365	5,508
Borrowings		
Other financial liabilities:		
- finance lease liabilities	542	594
- valuation of financial instruments	1,772	15,971
Total financial liabilities	**2,679**	**22,073**
- non-current	234	340
- current	2,445	21,733

Loans and borrowings:

Item	Liability amount	Nominal interest rate	Company
LOANS			
Dec 31 2009			
BRE BANK	156	4.92%	LZT ELTERMA
China Commercial Bank	209	4.88%	SECO/ WARWICK Tianjin
Total loans	**5,508**	**x**	**x**
Dec 31 2008			
BRE BANK S.A. Zielona Góra Branch, investment loan	1,296	USD 1M LIBOR +1.2	SECO/ WARWICK S.A.
BRE BANK	2,484	7.53%	LZT ELTERMA
BZ WBK	1,217	6.46%	
Bank Handlowy	1	none	
CITI BANK TIANIJN	76	9%	SECO/ WARWICK Tianjin
China Commercial Bank	434	6.99%	
Total loans	**5,508**	**x**	**x**

Loans by maturity:

Item	Dec 31 2009	De 31 2008
Current loans and borrowings	365	5,508
Non-current loans and borrowings		
- repayable in more than 1 year to 3 years		
- repayable in more than 3 years to 5 years		
Total loans and borrowings	**365**	**5,508**

Non-Current and Current Loans and Borrowings as at December 31st 2009

Lender's name and registered office	Outstanding amount of loan/borrowing		Repayment date	Security
	PLN	Foreign currency		
Current				
BRE BANK	156		Jun 30 2010	blank promissory note
China Commercial Bank	208	CNY 500	Jan 13 2010	none
Total	**365**	**x**	**x**	

Non-Current and Current Loans and Borrowings as at December 31st 2008:

Lender's name and registered office	Outstanding amount of loan/borrowing		Repayment date	Security
	PLN	Foreign currency		
Current				
BRE BANK S.A. Zielona Góra Branch, investment loan	1,296	USD 438	Dec 31 2009	Ordinary mortgage (*hipoteka zwykła*) for the amount of USD 3,500,000 and security (deposit) mortgage (*hipoteka kaucyjna*) for the amount of USD 150,000 on the Company's real property at ul. Sobieskiego 8
BRE BANK	2,484		Jun 30 2009	blank promissory note
BZ WBK	1,217		Jun 30 2009	blank promissory note
Bank Handlowy	1		Jan 2 2009	unsecured
CITI BANK TIANIJN	76	CNY 175	Jan 23 2009	9%
China Commercial Bank	434	CNY 1,000	Jul 8 2009	7%
Total	**5,508**	**x**	**x**	

Loans and borrowings by currency:

Item	Dec 31 2009		Dec 31 2008	
	in foreign currency	in PLN	in foreign currency	in PLN
PLN		156		3,702
EUR				
USD			438	1,296
GBP				
CNY	500	209	1,175	510
Total loans and borrowings	x	**365**	x	**5,508**

Note 25. LEASES

Operating Lease

Liabilities under operating leases – the Group as a lessee:

Item	*Dec 31 2009*	*Dec 31 2008*
Lease payments made		***50***
Outstanding balance:		
Up to 1 year	66	24
From 1 year to 5 years	99	25
Over 5 years		
Total	**165**	**49**

In 2009 and 2008, operating leases related to office equipment used by SECO/WARWICK Corporation.

Finance Lease

As at December 31st 2009 and December 31st 2008, liabilities under finance leases and lease to purchase option agreements were as follows:

Item			Dec 31 2008	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	344	308	281	254
From 1 year to 5 years	250	234	359	340
Over 5 years				
Total minimum lease payments	**594**	**542**	**640**	**594**
Finance charge	52	x	46	x
Present value of minimum lease payments, including:	**542**	**542**	**640**	**594**
current	308	308	281	254
non-current	234	234	359	340

Finance lease agreements as at December 31st 2009:

Financing party	Agreement No.	Initial value	Currency	End of agreement term	Liabilities outstanding as at the end of reporting period
IKB Leasing	0001261/OP	211	PLN	Nov 10 2010	26
IKB Leasing	0001100/OP	139	PLN	Oct 11 2011	18
WBK Leasing	ZD2/00040/2007	41	PLN	Jun 15 2010	7
IKB Leasing	1003402	343	PLN	Nov 8 2011	179
BRE Leasing	ELTERMA/PO/57183/2008	82	PLN	Dec 15 2010	27
BRE Leasing	ELTERMA/PO/58082/2008	95	PLN	Nov 1 2011	34
BRE Leasing	ELTERMA/PO/58402/2008	59	PLN	Jan 15 2011	22
BRE Leasing	ELTERMA/PO/59322/2008	66	PLN	Nov 2 2011	26
WBK Leasing	ZD2/00001/2009	42	PLN	Jan 20 2012	27
WBK Leasing	ZD2/00002/2009	47	PLN	Jan 20 2012	31
Volkswagen Leasing Polska	4810073-1209-02185	64	PLN	Apr 11 2012	47
BRE Leasing	PO/77517/2009	140	PLN	Jan 13 2012	98
Total	**x**	**1,329**	**x**	**x**	**542**

Finance lease agreements as at December 31st 2008:

Financing party	Agreement No.	Initial value	Currency	End of agreement term	Liabilities outstanding as at the end of reporting period
IKB Leasing	0001261/OP	211	PLN	Nov 10 2010	47
IKB Leasing	0001100/OP	139	PLN	Oct 11 2010	30
WBK Leasing	ZD2/00040/2007	41	PLN	Jun 15 2010	20
IKB Leasing	1003402	343	PLN	Nov 8 2011	236
Europejski Fundusz Leasingowy	33372/Wr/07	160	PLN	Nov 15 2010	60
BRE Leasing	PO/57183/2008	82	PLN	Dec 15 2010	52
BRE Leasing	PO/58082/2008	95	PLN	Nov 1 2011	63
BRE Leasing	PO/58402/2008	59	PLN	Jan 15 2011	40
Total	**x**	**1,196**	**x**	**x**	**594**

Note 26. TRADE PAYABLES AND OTHER LIABILITIES

Item	*Dec 31 2009*	*Dec 31 2008*
current	16,606	27,251
non-current	406	1,059
Total	**17,012**	**28,310**

CURRENT TRADE PAYABLES AND OTHER LIABILITIES

Item	*Dec 31 2009*	*Dec 31 2008*
Trade payables		
To related undertakings	212	1,490
To other undertakings	10,907	18,776
Total	**11,118**	**20,266**
Taxes, customs duties, social security and other charges payable	2,348	3,311
Salaries and wages payable	1,809	1,979
Other liabilities	1,331	1,695
Total other liabilities	**5,488**	**6,985**
Total trade payables and other liabilities	**16,606**	**27,251**

Current liabilities by currency

Item	*Dec 31 2009*		*Dec 31 2008*	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		5,594		14,960
EUR	1,070	4,344	710	2,962
USD	1,287	3,668	2,020	5,797
GBP	14	66	7	29
INR	19,562	1,142	35,271	1,095
other		1,792		2,408
Total	**x**	**16,606**	**x**	**27,251**

Trade payables by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*
Dec 31 2009	**11,118**	11,118					
Dec 31 2008	**20,266**	20,266					

Other current liabilities by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30 – 60 days*	*60 – 90 days*	*90 – 180 days*	*>180 days*
Dec 31 2009	**6,985**	6,985					
Dec 31 2008	**5,488**	5,488					

Non-current liabilities

Item	*Dec 31 2009*	*Dec 31 2008*
To related undertakings	406	1,059
To other undertakings		
TOTAL	**406**	**1,059**

As at December 31st 2009, SECO/WARWICK S.A. had investment commitments towards SECO/WARWICK ALLIED Pvt. LTD in the amount of PLN 1,142 thousand. As at the end of 2009, the non-current portion of the commitments was PLN 406 thousand and the current portion – PLN 736 thousand. The commitments arose under the share purchase agreement concerning purchase of shares in the company.

Contingent Liabilities

Contingent liabilities under guarantees and sureties:

Dec 31 2009	Bank Name	Type of guarantee	Currency	*Dec 31 2009*	*AMOUNT IN PLN***	Company Name
Guarantee 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guarantee 2	BH	CRB	USD	300	855	
Guarantee 3	BRE	PBG	EUR	65	267	
Guarantee 4	BRE	APG	EUR	409	1,679	
Guarantee 5	BRE	PBG	EUR	200	822	
Guarantee 6	BRE	APG	EUR	809	3,322	
Guarantee 7	BRE	APG	PLN	268	268	
Guarantee 8	BRE	PBG	EUR	184	757	
Guarantee 9	BRE	PBG	EUR	140	575	
Guarantee 10	BRE	APG	PLN	610	610	
Guarantee 11	BRE	PBG	EUR	174	713	
Guarantee 12	BRE	APG	EUR	144	592	
Guarantee 13	BRE	PBG	EUR	12	48	
Guarantee 14	BRE	APG	EUR	409	1,679	
Guarantee 15	BRE	PBG	EUR	159	651	
Guarantee 16	BRE	PBG	EUR	117	479	
Guarantee 17	BRE	PBG	PLN	766	766	LZT Elterma
Guarantee 18	BRE	PBG	EUR	41	169	

Guarantee 19	BRE	PBG	EUR	23	94	
Guarantee 20	BRE	APG	EUR	647	2,658	
Guarantee 21	BRE	PBG	EUR	172	707	
Guarantee 22	HUNTINGTON	PBG	USD	313	892	SECO/ WARWICK Corp.
Guarantee 23	HUNTINGTON	PBG	USD	202	576	
Guarantee 24	HUNTINGTON	PBG	USD	38	108	
TOTAL					**19,320**	

Dec 31 2008	**Bank Name**	**Type of guarantee**	**Currency**	***Dec 31 2008***	***AMOUNT IN PLN*****	**Company Name**
Guarantee 1	BRE	PBG	PLN	35	35	SECO/WARWICK S.A.
Guarantee 2	BRE	PBG	USD	119	352	
Guarantee 3	BRE	PBG	EUR	62	257	
Guarantee 4	BRE	APG	EUR	750	3,129	
Guarantee 5	BRE	APG	EUR	41	173	
Guarantee 6	BRE	APG	EUR	41	173	
Guarantee 7	BH	CRB	USD	300	889	
Guarantee 8	BRE	PBG	EUR	65	271	
Guarantee 9	BRE	APG	EUR	409	1,705	
Guarantee 10	BRE	APG	EUR	260	1,086	
Guarantee 11	BRE	APG	EUR	260	1,086	
Guarantee 12	BRE	APG	EUR	409	1,705	
Guarantee 13	BRE	APG	EUR	152	634	
Guarantee 14	BRE	PBG	EUR	67	277	
Guarantee 15	BRE	PBG	EUR	100	417	
Guarantee 16	BRE	APG	USD	762	2,256	
Guarantee 17	RCB	APG	EUR	316	1,318	
Guarantee 18	BRE	APG	EUR	152	634	
Guarantee 19	BRE	PBG	EUR	37	153	
Guarantee 20	RCB	APG	PLN	644	644	
Guarantee 21	BH	APG	PLN	830	830	LZT Elterma
Guarantee 22	BRE	PBG	PLN	766	766	
Guarantee 23	TU Euler Hermes S.A.	APG	PLN	1,161	1,161	

Guarantee 24	BRE	PBG	EUR	41	172	
Guarantee 25	RCB	APG	EUR	58	242	
Guarantee 26	HUNTINGTON	PBG	USD	131	389	SECO/ WARWICK Corp.
Guarantee 27	HUNTINGTON	PBG	USD	313	927	
Guarantee 28	HUNTINGTON	PBG	USD	59	173	
TOTAL					**21,855**	

**The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2008.

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

Social Assets and Liabilities of the Company Social Benefits Fund (Polish Companies)

The Act on Company Social Benefits Fund of March 4th 1994 (as amended) stipulates that an employer should set up a Social Benefits Fund if it has more than 20 full-time employees. The Company has set up such a Fund and makes periodic contributions to the Fund in the amount of the basic contribution / contribution agreed upon with the trade unions. Additionally, the Fund holds some property, plant and equipment. The Fund is used to subsidise the Company's social activity, loans advanced to the employees and other social expenses.

The Group set off the Fund's assets against its liabilities towards the Fund, as the Fund's assets do not represent a separate asset category.

The table below presents analytic data on the Fund's assets, liabilities and expenses, as well as the net balance of the Fund.

Item		Dec 31 2008
Total tangible assets contributed to the Fund		-
Loans advanced to employees	76	116
Cash	309	237
Liabilities to the Fund	60	
Net balance	322	278
Contributions to the Fund during financial period	489	528

Investment Commitments

As at December 31st 2009, the Group had capital commitments of PLN 52 thousand (in 2008: PLN 39 thousand) for expenditures related to acquisition of property, plant and equipment. The amount will be used to purchase of new machines and equipment.

Note 27. PROVISIONS

EMPLOYEE BENEFITS

Retirement Benefits and other Post-Employment Benefits

Retiring employees of the Polish companies in the Group have been entitled to retirement severance pays in an amount established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Group creates a provision for the present value the of the retirement severance pay obligations. The table below provides information on the amount of the provision and a reconciliation presenting changes in the provision during the financial period.

Provision for retirement severance pays and similar benefits

LONG-TERM PROVISION FOR RETIREMENT BENEFITS AND SEVERANCE PAYS	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
as at beginning of period	**139**	**175**
increase	77	64
- provisions of acquired undertakings		
- provision created	77	64
use		
release	(69)	(100)
as at end of period	**147**	**139**

The table below presents key assumptions adopted by the actuary as at the balance sheet date to calculate the amount of the obligations.

Item	*Dec 31 2009*	*Dec 31 2008*
Discount rate (%)	6.0 – 6.20	5.0 – 5.50
Expected inflation rate (%)	3.00	2.50
Employee turnover ratio (%)		
Expected rate of growth of salaries and wages (%)	5.00	0 – 5.00

CHANGE IN SHORT-TERM PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1 – Dec 31 2009	Jan 1 – Dec 31 2008
1. Provision for unused holidays		
a) as at beginning of period	806	1,129
b) increase	439	807
- provisions of acquired undertakings		
- provision created	439	807
c) use		375
d) release	613	794
e) currency translation differences	-8	39
f) as at end of period	**624**	**806**
2. Provision for length-of-service awards		
a) as at beginning of period		1,766

b) increase	250	
- provisions of acquired undertakings		
- provision created	250	
c) use		1,581
d) release		185
e) currency translation differences		
f) as at end of period	**250**	
3. Provision for retirement severance pays	**98**	**110**
a) as at beginning of period	110	96
b) increase	98	116
- provisions of acquired undertakings		
- provision created	98	116
c) use	8	15
d) release	102	87
e) currency translation differences		
f) as at end of period	**98**	**110**

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	2009	2008
Change in plan obligations		
Obligations at beginning of period	8,915	8,834
Service cost	0	0
Interest cost	541	536
Actuarial gain/(loss)	282	373
Contributions paid	-482	-481
Obligations at end of period	9,255	9,263
Change in plan assets		
Fair value of plan assets at beginning of period	5,529	7,463
Actual return on plan assets	880	-1,949
Contributions paid in	684	711
Contributions paid out	-482	-481
Fair value of plan assets at end of period	6,610	5,745
Net value of obligations in balance sheet		
Obligations at end of period	9,255	9,263
Fair value of plan assets at end of period	6,610	5,745
Obligations at end of period	-2,645	-3,519
Unrecognised actuarial gains/(losses)	3,724	4,515
Unrecognised past service cost	117	153

Costs recognised in income statement		
Service cost	0	0
Interest cost	593	437
Expected return on plan assets	-462	-470
Actuarial gain/(loss) on plan assets	488	92
Recognised past service costs	33	25
Costs recognised in income statement	651	84

OTHER PROVISIONS

Item	*Provision for warranty repairs and returns*	*Provision for penalty*	*Other provisions*	*Other provisions - contingent liability*	*Total*
As at Jan 1 2008	4,132	105	338	2,702	7,277
Acquisition of subsidiary					-
Provisions created during financial year	2,645		851		3,496
Provisions used	(1,370)		(77)		(1,447)
Provisions released	(1,494)	(105)	(147)	(2,702)	(4,448)
Foreign exchange differences	285		29		314
Discount rate adjustment					-
As at Dec 31 2008	**4,198**	**-**	**994**	**-**	**5,192**
Acquisition of subsidiary					
Provisions created during financial year	2,250	432	387		3,069
Provisions used	(4,303)		(988)		(5,213)
Provisions released					(78)
Foreign exchange differences	105		(5)		100
Discount rate adjustment					
As at Dec 31 2009	**2,250**	**432**	**388**		**3,185**

Note 28. DEFERRED INCOME

Item	*Dec 31 2009*	*Dec 31 2008*
- subsidies to tangible assets	3	4
- subsidies from the Polish Ministry of Science and Higher Education	2,181	180
- long-term contracts	6,057	12,319
Total deferred income, including:	**8,241**	**12,503**
non-current	2,181	180
current	6,060	12,323

Note 29. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	*Dec 31 2009*	*Dec 31 2008*
Cash in the balance-sheet	**25,254**	**12,418**
exchange differences arising on balance-sheet valuation	(168)	(264)
monetary assets classified as cash equivalents for the needs of the statement of cash flows		
Total cash and cash equivalents disclosed in the statement of cash flows	**25,086**	**12,154**

Item	*Dec 31 2009*	*Dec 31 2008*
Amortisation and depreciation:	**4,950**	**4,331**
amortisation of intangible assets	798	2,207
depreciation of property, plant and equipment	4,139	2,314
depreciation of investment property	13	13
foreign exchange differences		(204)
Change in provisions results from the following items:	**(2,883)**	**853**
balance-sheet change in provisions	(3,545)	1,512
provision for deferred payment for shares in RETECH SYSTEMS		2,702
exclusion of change in income tax liabilities	614	(1,860)
foreign exchange differences	48	(1,501)
Change in inventories results from the following items:	**3,950**	**(1,117)**
balance-sheet change in inventories	4,006	(1,762)
foreign exchange differences	(55)	645
Change in receivables results from the following items:	**44,322**	**(11,453)**
balance-sheet change in current receivables	44,600	(13,561)
exclusion of income tax receivable	(577)	341
foreign exchange differences	299	1,766
change in receivables related to disposal of property, plant and equipment		(75)
Change in current liabilities (excluding financial liabilities) results from the following items:	**(10,385)**	**(5,434)**
balance-sheet change in current liabilities	(29,932)	43,475
exclusion of income tax liabilities		
adjustment for change in liabilities related to acquisition of property, plant and equipment		
exclusion of change in lease liabilities	72	21
change in investment commitments	(7)	121
foreign exchange differences	(67)	(2,088)
loans	5,143	(29,898)
valuation of derivative instruments	14,046	(15,971)
liability towards SECO/WARWICK Allied	360	(1,095)

Change in accruals and deferrals results from the following items:	4,324	(7,591)
balance-sheet change in accruals and deferrals	6,859	(12,929)
exclusion of change in income tax assets	(2,967)	4,243
foreign exchange differences	432	1,095

Note 30. RELATED PARTIES

Dec 31 2009							
Receivables / Liabilities	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC
ELTERMA S.A.	X				704		
ELTUS	127	X			3		
SECO/WARWICK Corporation USA	15		X	0			
SECO/WARWICK Moscow	39			X			
SECO/WARWICK S.A.	746				X	9	
SECO/WARWICK TIANJIN						X	
Retech Systems LLC							X
Allied Consulting	207						

Dec 31 2008							
Receivables / Liabilities	ELTERMA S.A.	ELTUS	SECO/ WARWICK Corp	SECO/ WARWICK Moscow	SECO/ WARWICK S.A.	SECO/ WARWICK TIANJIN	Retech Systems LLC
ELTERMA S.A.	**X**	4		115	723		
ELTUS	51	**X**			5		
SECO/WARWICK Corporation USA	277		**X**		187		
SECO/WARWICK Moscow	35			**X**			
SECO/WARWICK S.A.	1,924		1,018	2	**X**		3,478

SECO/WARWICK TIANJIN						**X**	
Retech Systems LLC					123		**X**
Allied Consulting	1,367						

Dec 31 2009								
Sales revenue / **Purchase**	***SECO/WARWICK S.A.***	***Elterma***	***Eltus***	***SECO/ WARWICK Moscow***	***SECO/ WARWICK Moscow***	***SECO/ WARWICK TIANJIN***	*RETECH*	ALLIED
SECO/WARWICK S.A.	X	1,264	12		388	10	98	0
Elterma S.A.	1,532	X	38	0				
Eltus sp. z o.o.	54	1,028	X					
SECO/WARWICK Moscow		573		X				
SECO/WARWICK Corp.*	0	130			X			
SECO/WARWICK TIANJIN	35	0				X		
RETECH	1,966						X	
ALLIED	0	1,392						

Dec 31 2008								
Sales revenue / **Purchase**	***SECO/WARWICK S.A.***	***Elterma***	***Eltus***	***SECO/ WARWICK Moscow***	***SECO/ WARWICK Moscow***	***SECO/ WARWICK TIANJIN***	*RETECH*	ALLIED
SECO/WARWICK S.A.	**X**	2,243			552	143	13,473	533
Elterma S.A.	2,971	**X**	42	-13				
Eltus sp. z o.o.	54	1,342	**X**					
SECO/WARWICK Moscow		550		**X**				
SECO/WARWICK Corp.*	1,000	58			**X**			
SECO/WARWICK TIANJIN	1,091					**X**		
RETECH	2,310						**X**	
ALLIED		1,828						

Other Related Parties

Employment contract between SECO/WARWICK S.A. and Bartosz Klinowski
Under the contract of December 31st 2005, Bartosz Klinowski is obliged to provide work to the Company as a full-time electrical design engineer. The contract was concluded for an unspecified term and contains standard provisions, which comply with the Polish Labour Code. As of March 1st 2008, Bartosz Klinowski assumed the position of Deputy Head of the Electrical Division. Bartosz Klinowski is a close member of the family, as defined in IAS 24, of Witold Klinowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Piotr Zawistowski
Under the contract of February 1st 2007, Piotr Zawistowski is obliged to provide work to the Company as a junior service engineer. The contract was first concluded for a probationary period of three months. On March 1st 2007, the parties signed an annex to the contract, transforming it into an employment contract for an unspecified term. The contract contains standard provisions, which comply with the Polish Labour Code. On May 5th 2008, Piotr Zawistowski assumed the position of Chief Manager of the Melting Furnaces Maintenance Division and on February 1st 2010 he became Deputy Head of the Vacuum Division in charge of LPC technology. Piotr Zawistowski is a close member of the family, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Ewa Zawistowska
Under the contract of January 2nd 2006, Ewa Zawistowska is obliged to provide work to the Company as a human resources management specialist. The contract was concluded for an unspecified term. On April 1st 2009, Ewa Zawistowska assumed the position of Management Board Office Administrator. The contract contains standard provisions, which comply with the Polish Labour Code. Ewa Zawistowska is a close member of the family, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Katarzyna Zawistowska
Under the contract of November 3rd 2008, Katarzyna Zawistowska is obliged to provide work to the Company as a full-time Planning Clerk. The contract was first concluded for a probationary period of three months. The next contract was concluded for a specified term. The contract contains standard provisions, which comply with the Polish Labour Code. As of February 2nd 2009, Katarzyna Zawistowska has been employed as a Clerk in the Spare Parts Department. Katarzyna Zawistowska is a close member of the family, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Anna Klinowska
Under the contract of January 3rd 2005, Anna Klinowska is obliged to provide work to the Company as a full-time Management Board Assistant. The contract was first concluded for a probationary period. The next contract was concluded for a specified term. The contract contains standard provisions, which comply with the Polish Labour Code. As of June 1st 2007, Anna Klinowska has been employed as a Human Resources and Payroll Specialist. Anna Klinowska is a close member of the family, as defined in IAS 24, of Witold Klinowski, member of the Management Board of SECO/WARWICK S.A.

Other related parties	*2009*	*2008*
Short-term employee benefits (salaries, wages and overheads)	276	311
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		

Note 31. KEY PERSONNEL REMUNERATION

The table below presents total remuneration paid or payable to members of the Management and Supervisory Boards:

Item	*Dec 31 2009*	*Dec 31 2008*
Management Board of the Parent Undertaking	**1,705**	**1,440**
Short-term employee benefits (salaries, wages and overheads)	1,705	1,440
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Supervisory Board of the Parent Undertaking		**138**
Short-term employee benefits (salaries, wages and overheads)		138
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Management Boards of subsidiaries	**2,673**	**2,010**
Short-term employee benefits (salaries, wages and overheads)	2,673	2,010
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Supervisory Boards of subsidiaries		**42**
Short-term employee benefits (salaries, wages and overheads)		42
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Total		**3,630**

Management Board remuneration:

Name	Total remuneration	
		Dec 31 2008
MANAGEMENT BOARD OF SECO/WARWICK S.A.		
Leszek Przybysz	439	
Andrzej Zawistowski	235	400
Witold Klinowski	396	396
Józef Olejnik	324	324
Jeffrey William Boswell	-	-
Wojciech Modrzyk	311	320
Total	**1,705**	**1,440**
MANAGEMENT BOARD OF ELTERMA		
Janusz Gudaczewski		148
Ryszard Rej	294	167
Zbigniew Skubiszewski	372	275
Grzegorz Paluch	714	384
Total	**1,380**	**974**
MANAGEMENT BOARD OF ELTUS		
Józef Dziadkowski		9
Łukasz Duhanik	28	40
Kazimierska Monika	15	
Total	**43**	**49**
MANAGEMENT BOARD OF SECO/WARWICK Corporation		
Jeffrey W. Boswell	437	422
Arthur V. Russo	357	276
Keith Boeckenhauer	456	289
Total	**1,250**	**987**

Supervisory Board remuneration:

Name	Total remuneration	
		Dec 31 2008
SUPERVISORY BOARD OF SECO/WARWICK S.A.		
Robert Legierski	8	20
Artur Grygiel	24	24
Piotr Kowalewski	30	30
Piotr Kula	24	24
Henryk Pilarski	36	36
Marek Górny		4
Andrzej Libold	10	
Total	**132**	**138**
SUPERVISORY BOARD OF ELTERMA		
Henryk Pilarski	42	42
Total	**42**	**42**

Members of the Supervisory Board of SECO/WARWICK Corporation do not receive any remuneration.

The table below presents total remuneration paid or payable to other members of key management personnel:

Item	Dec 31 2009	Dec 31 2008
Short-term employee benefits (salaries, wages and overheads)	984	1,025
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		
Total remuneration paid to key management personnel (other than members of the Management and Supervisory Boards)	**984**	**1,025**

Note 32. FINANCIAL ASSETS

Item	Category (IAS 39)	*Carrying value*		*Fair value*	
			Dec 31 2008		*Dec 31 2008*
Financial assets					
Investments in related undertakings	Financial assets classified as held for sale	47,769	41,661	47,769	41,661
Financial assets available for sale (non-current)	Financial assets classified as held for sale	3	3	3	3
Other financial assets (non-current)	Financial assets classified as held for sale				
- loans advanced (current)	Loans and receivables	3	12	3	12
- loans advanced (non-current)	Loans and receivables	0	3	0	3
Trade and other receivables	Loans and receivables	26,946	71,644	26,946	71,644
Derivative financial instruments	Financial assets at fair value through profit or loss	143		143	
- *currency forwards*	Financial assets at fair value through profit or loss	143		143	
Cash and cash equivalents	Loans and receivables	25,254	12,418	25,254	12,418
Financial liabilities					
current					0
Interest-bearing loans and borrowings, including:	Other financial liabilities at amortised cost				0
- *overdraft facility*	Other financial liabilities at amortised cost	156	3,702	156	3,702
- *current loans*	Other financial liabilities at amortised cost	209	2,106	209	2,106

- finance lease liabilities (current)	Other financial liabilities at amortised cost	308	254	308	254
Trade payables and other liabilities	Other financial liabilities at amortised cost	16,606	27,251	16,606	27,251
- currency forwards	Financial liabilities at fair value through profit or loss	1,772	15,971	1,772	15,971
Non-current				0	0
- non-current loans bearing interest at variable rates	Other financial liabilities at amortised cost		2,131	00	2,131
Other liabilities (non-current), including:	Other financial liabilities at amortised cost				
- finance lease liabilities (non-current)	Other financial liabilities at amortised cost	234	340	234	313
Trade payables and other liabilities	Other financial liabilities at amortised cost		-	-	-

Note 33. EMPLOYMENT STRUCTURE

Item	*Dec 31 2009*	*Dec 31 2008*
Blue-collar employees	234	288
White-collar employees	340	390
Employees on parental leaves	2	3
Total	**576**	**681**

- excluding employees of SECO/WARWICK (Tianjin) Industrial Furnace Company Limited, which is consolidated using the proportional consolidation method. In 2009, the Tianjin-based company employed 76 persons (77 persons in 2008).
- excluding employees of SECO/WARWICK ALLIED and RETECH Systems, which are consolidated using the equity method. In 2009, SECO/WARWICK ALLIED employed 240 persons (238 persons in 2008) and RETECH Systems employed 100 persons (114 in 2008).

Note 34. CAPITAL MANAGEMENT

The primary objective behind the Group's capital management is to maintain good credit rating and safe capital ratios, in order to support the Group's operations and enhance its shareholder value.

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders or issue new shares. During the year ended December 31st 2009, there were no changes regarding the capital structure management objectives, policies and processes.

In monitoring its capital, the Group uses the leverage ratio calculated as net debt divided by total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings, trade payables and other liabilities, less cash and cash equivalents. Equity includes convertible preference shares and equity attributable to equity holders of the parent, less capital reserve from unrealised net gains.

Note 35. GOODWILL IMPAIRMENT TEST

The goodwill reported by the Group arose on acquisition of control over SECO/WARWICK Corporation by SECO/WARWICK S.A. and was allocated to a single cash-generating unit, being SECO/WARWICK Corporation.

Carrying value of goodwill:

Dec 31 2008	Dec 31 2009
4,452	4,284

Cash-Generating Unit

The recoverable value of the cash-generating unit was determined on the basis of its value in use, which in turn was calculated based on the cash flow projections derived from the financial budgets covering a period of ten years. The cash flow projections were discounted using a pre-tax discount rate of 9.0%; cash flows beyond the period of five years were estimated using a growth rate of 2%.

Key Assumptions Underlying Value-in-Use Calculation

Estimates of the value in use of a cash-generating unit are sensitive to changes of the following variables:

- pre-tax margin;
- discount rates;
- market share in the budget period; and
- growth rate used to estimate cash flows beyond the budget period.

Pre-tax margin – pre-tax margin is based on the average values in the three years preceding the budget period.

Discount rate – discount rate reflects the management's assessment of the risk inherent in the company's operations. It is used by the management with a view to assessing the operating efficiency (performance) and future investment proposals. The discount rate was determined taking into account the yield on 10-year bonds as at the beginning of a budget year.

Assumptions regarding market share – such assumptions are material because – in addition to using industry data to determine the growth rate (as described below) – the management assesses how the company's assets and financial standing may change over the budget period relative to its peers. The management expects the Group's market share to remain stable over the budget period.

Estimated growth rate – growth rates are based on published findings of industry surveys.

Sensitivity to Changes of Assumptions

With respect to the estimation of the value in use of SECO/WARWICK Corporation, management believes that no reasonably possible change of any of the key assumptions referred to above could cause the carrying value of the cash-generating unit to exceed its recoverable value. As at the balance-sheet date, the value in use of the cash generating unit was PLN 45,437 thousand, while the book value of equity was PLN 11,120 thousand. The residual value, equal to the difference between the market value and the book value of equity, was PLN 34,317 thousand and exceeded the goodwill disclosed in the consolidated financial statements. Accordingly, no impairment loss on goodwill was recognised.

Note 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In the course of its operating and financing activities, the SECO/WARWICK Group is exposed to risks arising mainly in connection with the financial instruments held by the Group. Those risks may be broadly defined as market risk, comprising currency risk, interest-rate risk, liquidity risk and credit risk. The objective behind the Group's financial risk management is to offset any adverse movements in foreign exchange and interest rates, stabilise cash flows and ensure an adequate level of liquidity and financial flexibility. The rules of financial risk management within the Group are determined by the Management Board of the Parent Undertaking. As part of the risk management process, an expert management accounting system has been developed and implemented. The key risk parameters at the level of the Group members' operating and financing activities are monitored through monthly reports.

36.1 Currency Risk

The Group is exposed to currency risk, arising in connection with sales, trade receivables, financial liabilities and bank loans denominated in EUR and USD. Additionally, in the consolidated financial statements there is a risk related to exchange differences on translating foreign operations. This risk is especially significant with respect to SECO/WARWICK Corporation and Retech Systems LLC.

Analysis of the SECO/WARWICK Group's sensitivity to fluctuations in PLN/USD and PLN/EUR exchange rates

Assuming a 10% decrease in the value of the US dollar against the złoty as at December 31st 2009 (with all other factors remaining unchanged), both the SECO/WARWICK Group's net earnings for the financial year 2009 and its equity would be lower by PLN -943 thousand (for 2008, the respective figures would be PLN -1,644 thousand and PLN -3,140 thousand). Conversely, assuming a 10% increase in the value of the US dollar against the złoty (all other factors remaining unchanged), both the Group's net earnings for the financial year 2009 and its equity would be higher by PLN +935 thousand (for 2008: PLN +1,664 thousand and PLN +3,140 thousand, respectively).

Assuming a 10% decrease in the value of the euro against the złoty as at December 31st 2009 (with all other factors remaining unchanged), both the Group's net earnings for the financial year 2009 and its equity would be lower by PLN -4,621 thousand (for 2008, the respective figures would be PLN -13,231 thousand and PLN -13,051 thousand). Conversely, assuming a 10% increase in the value of the euro against the złoty (with all other factors remaining unchanged), both the Group's net earnings for the financial year 2009 and its equity would be higher by PLN +4,856 thousand (for 2008: PLN +13,231 thousand and PLN +13,051 thousand, respectively).

Assumptions adopted for 2009:

- average USD/PLN exchange rate used to translate items of the income statement: 3.1111
- average EUR/PLN exchange rate used to translate items of the income statement: 4.3277
- USD/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 2.8503

- EUR/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 4.1082

Assumptions adopted for 2008:

- average USD/PLN exchange rate used to translate items of the income statement: 2.4115
- average EUR/PLN exchange rate used to translate items of the income statement: 3.5321
- USD/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 2.9618
- EUR/PLN exchange rate as at the end of the period used to translate items of the balance sheet: 4.1724

36.2 Interest Rate Risk

The SECO/WARWICK Group's exposure to interest rate risk is not material, due to the fact that the share of interest-bearing debt in the Group's total financing structure is relatively low.

36.3 Risk Related to Product Prices

The bulk of the Group's sales revenue is generated under long-term contracts for the supply of equipment. At the offer preparation stage, each piece of equipment is priced using the current prices of materials and labour. In addition, the fixed costs and the assumed margin on the equipment are taken into account. As a result, in the opinion of the Parent Undertaking's Management Board, the price risk is minimised.

Nevertheless, the achievement of the Group's strategic objectives concerning product prices may be hindered by competition. If competitive pressures intensify, especially in Asian markets, they may adversely affect the Group's ability to meet its planned financial results. The Management Board of the Parent Undertaking believes that the SECO/WARWICK Group is now engaged in a number of activities to strengthen its market position and increase its competitive lead by offering high quality services and comprehensive solutions, ensuring that its product mix is flexible, enhancing its existing and building new competence, using state-of-the-art technologies and developing new technological solutions. While the Group is unable to totally eliminate the risk associated with the impact of competition on its planned financial performance, it has managed to substantially reduce that impact.

36.4 Capital Management (calculations Note 38)

The Group's capital management relies on a sustainable financial policy, designed to secure financial resources sufficient to finance the Group's business development, while ensuring that its financing structure and liquidity levels are adequate. The Group's capital is defined as the sum of equity and net debt.
The Group's capital management policy takes into account two key elements:

- operating performance in the context of investment and development plans,
- dividend policy and the external debt repayment schedule.

In order to combine these factors, the Group periodically defines its financing structure framework. The current targets under the capital management policy are as follows:

- current ratio – in the range from 1.5 to 2.5,
- quick ratio – over 1.

The capital management policy adopted by the Group requires it to maintain a degree of financial discipline, while giving it enough flexibility to support profitable development.
Capital management is also centred around the goal of maintaining a predetermined level of liquidity which allows the Group both to pay its external debt as its falls due and to finance the expenditures connected with the Group's business risk. That goal is pursued for instance by maintaining available credit facilities that may be drawn when the need arises.

36.5 Liquidity Risk

Liquidity risk is the risk that the Group may face problems with meeting its financial liabilities. Liquidity risk is managed by projecting future cash flows, analysing the relation of liquid assets to cash flows, monitoring liquidity ratios based on balance-sheet items and ensuring constant access to various sources of financing at the level of the individual members of the Group.

The Group also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility.

36.6 Credit Risk

The Group pursues a policy of entering into sales agreements only with customers whose reliability it has checked. Management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables. There are no past due receivables that would not be classified as uncollectible. The SECO/WARWICK Group's receivables by delinquency period are presented in Note 18.

37. MANAGEMENT STOCK OPTIONS

On April 29th 2009, the General Shareholders Meeting approved the key assumptions of the Incentive Scheme of SECO/WARWICK S.A. ("the Incentive Scheme"). The Rules of the Incentive Scheme were adopted by way of the Supervisory Board's resolution on July 27th 2009. The Company plans to implement the Incentive Scheme in the years 2009-2011, while the subscription warrants distributed among the eligible scheme participants may be exercised on or after January 2nd 2012, but no later than on June 30th 2017.

Cost of the Incentive Scheme
The Company assumes that it is not possible to reliably measure that the fair value of the management stock option scheme as at the grant date, i.e. April 29th 2009. In accordance with IFRS 2.24, in such cases an entity is required to adopt an accounting approach based on intrinsic value of the instruments (the price of the underlying stock less the exercise price). Under the intrinsic value model:

- intrinsic value is remeasured at each reporting date from the grant date until final settlement,
- at each reporting date during the vesting period, the cumulative expense is measured as the product of the instrument's intrinsic value as at that date and the portion of the vesting period lapsed; any changes in the cumulative expense are recognised in profit or loss,
- any changes in the intrinsic value of the options from the vesting date until final settlement should be recognised in profit or loss.

Based on the foregoing, the cost of the management stock option scheme as at December 31st 2009 has been estimated as follows:

Share price as at December 31st 2009	PLN 19.00
Exercise price in 2009	PLN 18.96
Option intrinsic value	PLN 0.04

Number of the management stock options	300,000
Vesting period	3 years
Portion of vesting period lapsed at the reporting date	1/3
Estimated number of options granted	100%x1/3
Option intrinsic value	PLN 0.04
Cost for the period	PLN 4,460

Date: April 20th 2010

Leszek Przybysz
President of the Management Board

Andrzej Zawistowski
Vice-President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Józef Olejnik
Member of the Management Board

Witold Klinowski
Member of the Management Board