THE SECO/WARWICK GROUP

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

CONTENTS

I GENERAL INFORMATION

1. Parent

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

Name:	SECO/WARWICK S.A.
Legal form:	Joint-stock company (spółka akcyjna)
Registered offices:	ul. Sobieskiego 8, 66-200 Świebodzin, Poland

Core business according to the Polish Classification of Business Activities (PKD):

28.21.Z	Manufacture of ovens, furnaces and furnace burners,
33.20.Z	Installation of industrial machinery and equipment,
28.29.Z	Manufacture of other general-purpose machinery n.e.c.,
28.24.Z	Manufacture of power-driven hand tools,
28.99Z	Manufacture of other special-purpose machinery n.e.c.,
28.94.Z	Manufacture of machinery for textile, apparel and leather production,
46.14.Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft,
46.14.Z	Agents involved in the sale of a variety of goods,
46.69.Z	Wholesale of other machinery and equipment,
71.12.Z	Engineering activities and related technical consultancy,
71.20.B	Other technical testing and analysis,
72.11.Z	Research and experimental development on biotechnology.

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

2. Duration of the Group

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

3. Presented periods

These interim condensed consolidated financial statements cover the period from January 1st to June 30th 2014. Presentation of comparative data:

- comparative data pertaining to the interim consolidated statement of financial position is presented as at December 31st 2013 and June 30th 2013,
- comparative data pertaining to the interim consolidated statement of comprehensive income and the interim consolidated statement of cash flows is presented for the period January 1st–June 30th 2013,
- comparative data pertaining to the interim consolidated statement of changes in equity is presented for the periods January 1st–June 30th 2013 and January 1st–December 31st 2013.

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

As at June 30th 2014 and December 31st 2013, the composition of the SECO/WARWICK Management Board was as follows:

- Paweł Wyrzykowski – President of the Management Board
- Wojciech Modrzyk – Vice-President of the Management Board
- Jarosław Talerzak – Vice-President of the Management Board.

As at June 30th 2014 and December 31st 2013, the composition of the SECO/WARWICK Supervisory Board was as follows:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- James A. Goltz – Member of the Supervisory Board
- Zbigniew Rogóż – Member of the Supervisory Board
- Gutmann Habig – Member of the Supervisory Board
- Witold Klinowski – Member of the Supervisory Board.

5. Auditors

PKF Consult Sp. z o.o.
ul. Orzycka 6, lok. 1B
02-695 Warsaw, Poland

6. Significant shareholders of the parent

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at June 30th 2014:

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

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

7. Subsidiaries

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

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

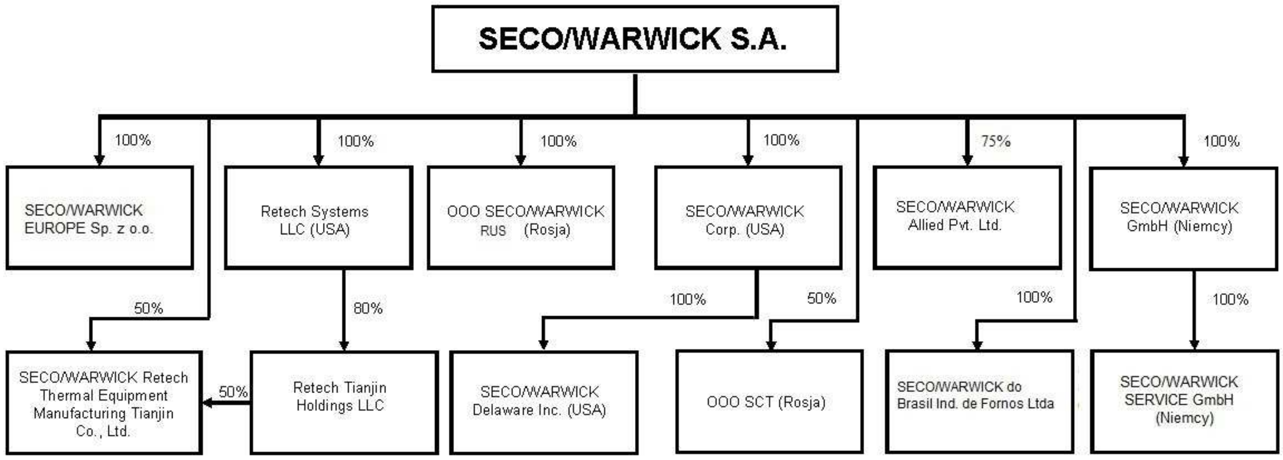
Other Group companies are:

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

8. Associates

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

9. Organisation of the Group:



II. Key financial data translated into the euro

The table below presents average EUR/PLN exchange rates quoted by the National Bank of Poland for the periods covered by these financial statements and by the historical financial information:

Financial year	Jun 30 2014	Dec 31 2013	Jun 30 2013
Average exchange rate for the period*	4.1784	4.2110	4.2140
Exchange rate effective for the last day of the period	4.1609	4.1472	4.3292

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

Items of assets, equity and liabilities in the interim 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 interim consolidated statement of comprehensive income and 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 interim consolidated statement of financial position, statement of comprehensive income and statement of cash flows disclosed in the interim consolidated financial statements and the comparative data, translated into the euro:

Key consolidated financial data	**H1 2014**	**H1 2013**	**H1 2014**	**H1 2013**
	(PLN '000)		(EUR '000)	
Revenue	208,730	253,417	49,954	60,137
Cost of sales	-157,036	-184,254	-37,582	-43,724
Operating profit/(loss)	6,694	21,086	1,602	5,004
Profit/(loss) before tax	7,554	20,977	1,808	4,978
Net profit/(loss)	5,709	13,017	1,366	3,089
Net cash flows from operating activities	14,026	9,481	3,357	2,250
Net cash flows from investing activities	-14,327	-8,009	-3,429	-1,900
Net cash flows from financing activities	-5,763	12,193	-1,379	2,893
	Jun 30 2014	**Dec 31 2013**	**Jun 30 2014**	**Dec 31 2013**
Total assets	496,417	484,094	119,305	116,728
Total liabilities	239,478	223,927	57,554	53,995
including current liabilities	190,211	173,761	45,714	41,898
Equity	256,939	260,167	61,751	62,733
Share capital	3,704	3,693	890	890

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

Separate financial highlights	**H1 2014**	**H1 2013**	**H1 2014**	**H1 2013**
	(PLN '000)		(EUR '000)	
Revenue from sale of finished goods, merchandise and materials	14,329	5,007	3,429	1,188
Cost of sales	-13,690	-4,930	-3,276	-1,170
Operating profit/(loss)	-1,566	-6,154	-375	-1,460
Profit/(loss) before tax	19,095	6,267	4,570	1,487
Net profit/(loss)	18,421	5,937	4,409	1,409
Net cash flows from operating activities	-8,635	-903	-2,067	-214
Net cash flows from investing activities	11,267	-27,601	2,697	-6,550

Net cash flows from financing activities	-9,078	12,089	-2,173	2,869
	Jun 30 2014	**Dec 31 2013**	**Jun 30 2014**	**Dec 31 2013**
Total assets	235,288	230,670	56,311	55,686
Total liabilities	27,977	34,803	6,696	8,392
including current liabilities	15,089	16,007	3,611	3,860
Equity	207,311	195,867	49,615	47,294
Share capital	3,704	3,693	886	890

III. Statement of compliance

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 and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, the Management Board of the Parent represents that to the best of its knowledge these interim condensed consolidated financial statements and the relevant comparative data have been prepared in compliance with the accounting standards applicable to the Group, and give a true, fair and clear view of the assets, financial position and profit or loss of the Group, and the half-year report on the Group's operations includes a fair review of the development and performance of the business and the position of the Group, and a description of the principal risks and uncertainties.

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

The Management Board represents that the entity qualified to audit financial statements that reviewed these half-year condensed consolidated financial statements and the half-year condensed separate financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the review met the conditions required to issue an impartial and independent review report, in accordance with the applicable regulations and professional standards. In line with the corporate governance principles adopted by the Management Board, the auditor was appointed by the Company's Supervisory Board (Resolution No. 9/2014 on appointment of the auditor). The Supervisory Board appointed the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor's tasks.

IV. Authorisation for issue

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on September 1st 2014.

Date: September 1st 2014

Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2014 PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (PLN '000)

	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2013
ASSETS			
Non-current assets			
Property, plant and equipment	82,399	80,215	81,361
Investment property	394	399	404
Goodwill	81,617	78,861	88,440
Intangible assets	24,950	19,589	14,682
Investments in associates	3,006	3,404	-
Financial assets available for sale	3	3	3
Other financial assets	-	1,691	284
Non-current receivables	2,681	-	1,215
Loans and receivables	538	59	-
Deferred tax assets	19,744	15,851	13,417
	215,332	**200,071**	**199,807**
Current assets			
Inventories	27,803	32,648	36,693
Trade receivables	90,234	84,671	93,057
Income tax assets	3,023	2,566	1,585
Other current receivables	16,713	12,532	19,460
Accruals and deferred income	3,157	3,593	4,189
Financial assets at fair value through profit or loss	2,632	3,822	748
Loans and receivables	-	548	-
Cash and cash equivalents	38,382	44,268	69,256
Contract settlement	98,421	98,653	95,727
	280,364	**283,302**	**320,715**
ASSETS HELD FOR SALE	721	**721**	**3,637**
TOTAL ASSETS	**496,417**	**484,094**	**524,159**

	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2013
EQUITY AND LIABILITIES			
Equity			
Share capital	3,704	3,693	3,652
Statutory reserve funds	216,367	199,708	199,708
Other components of equity	4,212	3,147	1,065
Retained earnings/(deficit)	29,177	48,178	60,941
Non-controlling interests	**3,479**	**5,442**	**9,289**
	256,939	**260,167**	**274,655**
Non-current liabilities			
Borrowings and other debt instruments	17,714	16,069	15,139
Financial liabilities	960	4,479	9,577
Other non-current liabilities	516	473	-
Deferred tax liabilities	22,051	20,850	25,651
Provision for retirement and similar benefits	3,767	3,331	6,109
Other provisions	241	822	982
Accruals and deferred income	4,018	4,143	3,611
	49,267	**50,166**	**61,068**
Current liabilities			
Borrowings and other debt instruments	21,559	18,050	30,958
Financial liabilities	4,747	4,165	8,784
Trade payables	60,224	56,473	62,309
Income tax payable	1,151	376	3,190
Taxes, customs duties and social security payable	6,117	5,340	4,942
Other current liabilities	6,611	7,165	7,003
Provision for retirement and similar benefits	4,768	8,291	4,246
Other provisions	16,649	16,292	15,802
Accruals and deferred income	6,220	2,268	1,357
Contract settlement	62,165	55,340	49,845
	190,211	**173,761**	**188,435**
TOTAL EQUITY AND LIABILITIES	**496,417**	**484,094**	**524,159**

Date: September 1st 2014

Person responsible for keeping accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

	For the period Jan 1–Jun 30 2014	For the period Jan 1–Jun 30 2013
Revenue from sale of finished goods	198,297	244,013
Revenue from sale of merchandise and materials	10,433	9,404
Revenue	**208,730**	**253,417**
Finished goods sold	-150,410	-178,683
Merchandise and materials sold	-6,626	-5,571
Cost of sales	**-157,036**	**-184,254**
Gross profit/(loss)	**51,694**	**69,164**
Other income	3,522	2,754
Distribution costs	-14,668	-13,479
Administrative expenses	-30,446	-33,650
Other expenses	-3,407	-3,703
Operating profit/(loss)	**6,694**	**21,086**
Finance income	3,772	3,925
Finance costs	-2,588	-4,007
Share of net profit/(loss) of associates	-324	-27
Profit/(loss) before tax	**7,554**	**20,977**
Actual tax expense	-2,878	-8,063
Net profit/(loss) from continuing operations	**4,676**	**12,914**
Profit/(loss) from discontinued operations	-	-
Profit/(loss) attributable to non-controlling interests	-1,033	-103
Net profit/(loss) for financial year	**5,709**	**13,017**
Earnings per share (PLN)	0.53	1.24
Weighted average number of shares as at	10,737,837	10,476,210
OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	-907	-,2,834
Exchange differences on translating foreign operations	2,403	4,437
Actuarial gains/(losses) on a defined benefit retirement plan	-710	321
Income tax on other comprehensive income	421	539
Other comprehensive income, net of tax	**1,206**	**2,462**
Total comprehensive income	**6,915**	**15,478**

Date: September 1st 2014

Person responsible for keeping accounting records: Ryszard Rej	Paweł Wyrzykowski *President of the Management Board*	Wojciech Modrzyk *Vice-President of the Management Board*	Jarosław Talerzak *Vice-President of the Management Board*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(PLN '000)

	For the period Jan 1–Jun 30 2014	For the period Jan 1–Jun 30 2013
OPERATING ACTIVITIES		
Profit/(loss) before tax	7,554	20,977
Adjustments for:	**11,220**	**153**
Share of net profit of associates	324	27
Depreciation and amortisation	3,740	3,792
Foreign exchange gains/(losses)	1,092	-194
Interest and profit distributions (dividends)	1,228	357
Gain/(loss) on investing activities	-2,797	1,800
Balance-sheet valuation of derivative instruments	394	-2,504
Change in provisions	-3,261	3,878
Change in inventories	5,312	-2,893
Change in receivables	-5,941	5,433
Change in current liabilities (other than financial liabilities)	7,279	12,643
Change in accruals and deferrals	3,486	-23,503
Other adjustments	364	1,319
Cash from operating activities	**18,774**	**21,129**
Income tax (paid)/recovered	-4,747	-11,648
Net cash flows from operating activities	**14,026**	**9,481**
INVESTING ACTIVITIES		
Cash provided by investing activities	**3,841**	**383**
Proceeds from disposal of intangible assets and property, plant and equipment	1,734	383
Other inflows from financial assets	2,107	
Cash paid in connection with derivative instruments	-	1,413
Cash used in investing activities	**18,168**	**9,804**
Investments in intangible assets, property, plant and equipment, and investment property	10,521	4,042
Acquisition of related entities	7,646	5,762
Cash paid in connection with derivative instruments	-	-
Other cash used in investing activities	-	-
Net cash flows from investing activities	**-14,327**	**-8,009**
FINANCING ACTIVITIES		
Cash provided by financing activities	**8,089**	**23,543**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	65	475
Borrowings and other debt instruments	8,018	23,068
Other cash provided by financing activities	7	-

Cash used in financing activities	**13,853**	**11,349**
Repayment of borrowings and other debt instruments	4,491	10,558
Payment of finance lease liabilities	170	161
Interest paid	1,138	631
Dividend	8,053	-
Net cash flows from financing activities	**-5,763**	**12,193**
Total net cash flows	**-6,064**	**13,666**
Net change in cash, including:	**-7,228**	**5,133**
- effect of exchange rate fluctuations on cash held	-71	-4
Cash at beginning of the period	**44,375**	**55,586**
Cash at end of the period, including:	**38,311**	**69,252**
- restricted cash	-	13,944

Date: September 1st 2014

Person responsible for keeping accounting records: Ryszard Rej	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

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

	Share capital	Statutory reserve funds	Capital reserve from revaluation of derivatives	Other components of equity	Exchange differences	Retained earnings/(deficit)	Non-controlling interests	Total equity
Equity as at Jan 1 2013	**3,652**	**189,136**	**1,580**	**0**	**168**	**54,953**	**1,153**	**250,642**
Total comprehensive income for the six months ended Jun 30 2013	-	-	-2,296	-	4,437	321	-	**2,462**
Transfer of previous years' profit/loss to statutory reserve funds	-	10,571	-	-	-	-10,571	-	-
Management stock options	-	-	-	1,065	-	-	-	**1,065**
Net profit	-	-	-	-	-	13,017	-	**13,017**
Equity attributable to non-controlling interests in OOO SCT	-	-	-	-	-	-	478	**478**
Equity attributable to non-controlling interests in SECO/WARWICK Retech	-	-	-	-	-	-	-117	**-117**
Equity attributable to non-controlling interests in SECO/WARWICK Allied	-	-	-	-	-	-666	7,775	**7,108**
Equity as at Jun 30 2013	**3,652**	**199,708**	**-716**	**1,065**	**4,605**	**57,053**	**9,289**	**274,655**
Equity as at Jan 1 2013	**3,652**	**189,136**	**1,580**	**0**	**168**	**54,953**	**1,153**	**250,642**
Total comprehensive income for the twelve months ended Dec 31 2013	-	-	-256	-	-12,035	1,178	-	**-11,114**
Issue of shares	41	-	-	-	-	-	-	**41**
Management stock options	-	-	-	3,147	-	-	-	**3,147**
Correction of previous years' errors	-	-	-	-	-	-676	-	**-676**
Change of method of accounting for employee benefit plan	-	-	-	-	-	-457	-	**-457**
Transfer of 2012 earnings	-	10,571	-	-	-	-10,571	-	-
Net profit	-	-	-	-	-	15,221	-	**15,221**
Equity attributable to non-controlling interests in SECO/WARWICK Retech	-	-	-	-	-	-	-419	**-419**
Equity attributable to non-controlling interests in SECO/WARWICK Allied	-	-	-	-	-	-896	5,318	**4,422**
Equity attributable to non-controlling interests in OOO SCT	-	-	-	-	-	-30	-610	**-640**
Equity as at Dec 31 2013	**3,693**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**5,441**	**260,167**
Equity as at Jan 1 2014								
Total comprehensive income for the six months ended Jun 30 2014	-	-	-735	-	2,403	-462	-	**1,206**
Issue of shares	11	-	-	-	-	-	-	**11**
Management stock options	-	-	-	1,065	-	-	-	**1,065**
Correction of previous years' errors	-	-	-	-	-	-35	-	**-35**

Profit distribution (dividend)	-	-	-	-	-	-8,053	-	**-8,053**
Transfer of previous years' profit/loss to statutory reserve funds	-	16,659	-	-	-	-16,659	-	**-**
Net profit	-	-	-	-	-	5,709	-	**5,709**
Equity attributable to non-controlling interests in OOO SCT	-	-	-	-	-	-	-	**-**
Equity attributable to non-controlling interests in SECO/WARWICK Retech	-	-	-	-	-	-	-207	**-207**
Equity attributable to non-controlling interests in SECO/WARWICK Allied	-	-	-	-	-	-1,168	-1,756	**-2,925**
Equity as at Jun 30 2014	**3,704**	**216,367**	**589**	**4,212**	**-9,464**	**38,053**	**3,479**	**256,939**

Date: September 1st 2014

Person responsible for keeping accounting records: Ryszard Rej

Paweł Wyrzykowski
President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Jarosław Talerzak
Vice-President of the Management Board

THE SECO/WARWICK GROUP

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

I. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS endorsed by the European Union. As at the date of approval of these financial statements for publication, given the ongoing process of implementation of the IFRS in the European Union and the scope of the Group's business, as far as the accounting policies applied by the Group are concerned there are no differences between the IFRS which have come into force and the IFRS endorsed by the European Union.

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

II. Going concern assumption and comparability of accounts

These interim condensed consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. June 30th 2014. As at the date of signing these financial statements, the Parent's Management Board was aware of no facts or circumstances that would involve a threat to the Group's continuing as a going concern in the 12 months after the end of the reporting period, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

As at the date of preparation of the interim condensed consolidated financial statements for H1 2014, no events have occurred which should have been but were not disclosed in the accounting records for the reporting period. In these financial statements no material events related to prior years are disclosed.

III. Basis of consolidation

a) Subsidiaries

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

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

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

b) Non-controlling interests and transactions with minority shareholders

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

The Group has adopted an approach to treat transactions with non-controlling shareholders as transactions with third parties not related to the Group.

c) Associates

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

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

d) Companies included in the consolidated financial statements

The following Group entities are included in these interim condensed consolidated financial statements for the periods ended June 30th 2014 and June 30th 2013:

Item	% of total vote	
	Jun 30 2014	Jun 30 2013
SECO/WARWICK S.A.	Parent	
SECO/WARWICK EUROPE Sp. z o.o. (formerly: SECO/WARWICK ThermAL)	100%	100%
SECO/WARWICK Corporation	100%	100%
OOO SECO/WARWICK Rus	100%	100%
Retech Systems LLC	100%	100%
SECO/WARWICK Allied Pvt., Ltd.	75%	66.7%
SECO/WARWICK Retech Thermal Equipment Manufacturing	90%	90%
SECO/WARWICK GmbH	100%	100%
OOO SCT (Solnechnogorsk) Russia,	50%	50%
SECO/WARWICK Service GmbH	100%	100%
SECO/WARWICK do Brasil Ind. de Fornos Ltda.	100%	100%

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

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

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

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

Presentation of financial statements

Presentation of the statement of financial position

In accordance with IAS 1 Presentation of Financial Statements, assets and liabilities are presented in the statement of financial position as current and non-current.

In accordance with IFRS 5, non-current assets held for sale are presented separately in the statement of financial position.

Presentation of the statement of comprehensive income

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

Earnings per share

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

Intangible assets

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

Intangible assets include mainly software and development expense, and are initially 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 an internally generated intangible asset meets the recognition criteria, the entity distinguishes two phases in the asset origination process:

- research phase,
- development phase.

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

Intangible assets created as a result of development work are capitalised by the Group only if the following criteria are met:

- it is certain that the intangible asset will be completed,
- it is possible to demonstrate that the asset can be used or sold,
- the expenditure incurred can be measured reliably.

Goodwill arises on acquisition of a business and corresponds to the excess of transferred consideration over the acquirer's share in the fair value of net identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is recognised at cost less any cumulative impairment losses. Goodwill is not amortised.

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

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

Property, plant and equipment

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

Depreciation is charged using the straight-line method by estimating the useful lives of given assets, which are as follows:

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

Non-current assets held under finance lease agreements are recognised in the statement of financial position and depreciated in accordance with the same policies as those applied to other non-current assets.

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

Any gains and losses arising on 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 recognised in profit or loss.

The Group has adopted the rule that the residual value of tangible assets is always equal to “zero”.

Tangible assets under construction

Tangible assets under construction include expenditure on property, plant and equipment and intangible assets which are not yet fit for use but it is highly probable that they will be completed. Tangible assets under construction are presented in the statement of financial position at cost less any impairment losses. Tangible assets under construction are not depreciated or amortised.

Investment property

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

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

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

Financial assets and liabilities

Financial assets **include equity interests in related entities, assets at fair value through comprehensive income, hedging derivatives, loans and receivables and cash and cash equivalents.**

Financial liabilities **include borrowings and other debt instruments, other types of financing, overdraft facilities, financial liabilities at fair value through comprehensive income, hedging derivatives, trade payables, liabilities to suppliers of property, plant and equipment, and lease liabilities.**

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

Recognition and measurement of financial assets

Financial assets are initially recognised at fair value, which in the case of investments other than measured at fair value through comprehensive income is increased by transaction costs directly attributable to such assets.

Receivables

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

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

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

Cash and cash equivalents

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

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

Recognition and measurement of financial liabilities

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

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

Hedge accounting

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

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;
b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income;
c) a hedge of a net investment in a foreign operation as defined in IAS 21.

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

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. The relevant documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.
b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument, can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Inventories

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

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

Deferred income tax

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

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

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

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

In line with IAS 12, deferred tax assets and liabilities are not discounted. Deferred income tax is determined based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the 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 disclosed in the statement of comprehensive income net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method has been applied, any increase in the provision with the passage of time is charged to finance costs.

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

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

The Group recognises the following provisions:

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

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

Accruals and deferred income

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

<u>Accrued expenses</u>

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

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

<u>Deferred and accrued income</u>

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

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

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

Functional currency and presentation currency

a) Functional currency and presentation currency

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

b) Transactions and balances

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

V. Material judgements and estimates

In view of the fact that many items presented in financial statements cannot be measured accurately, certain estimates need to be made in the preparation of interim condensed consolidated financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at June 30th 2014 may change in the future.

Depreciation/amortisation charges

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

Depreciation/amortisation charges for assets used under finance lease agreements

Depreciation/amortisation charges for items of property, plant and equipment and intangible assets used under finance lease agreements are determined based on their expected useful lives, which is consistent with depreciation policy for assets that are owned. Useful lives equal to agreement term are not applied. The Group assumes that assets used under lease agreements must be purchased.

Deferred tax assets

Deferred tax assets are recognised in respect of all unused tax losses to be deducted in the future to the extent it is probable that taxable profit will be available to enable these losses to be utilised.

Provision for accrued holidays

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

Provision for old-age and disability retirement benefits

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

Provision for warranty repairs

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

Long-term contracts

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

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

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

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

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

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

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

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

Subjective judgement

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

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

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

VI. Changes in accounting policies

The accounting policies applied when preparing annual consolidated financial statements are consistent with the accounting policies used to draw up the annual consolidated financial statements for the year ended December 31st 2013, save for the following amendments to standards and interpretations effective for periods beginning on January 1st 2014.

The Group did not choose to apply early any new standards and interpretations which have already been issued and endorsed by the European Union but will be effective after the end of the reporting period.

VII. New standards to be applied by the Group

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

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

IAS 32 of December 16th 2011)	

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

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

The new standard replaces the guidance contained in IAS 39 Financial Instruments: Recognition and Measurement, regarding classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. Financial assets will be classified into one of two categories on initial recognition:
- financial assets measured at amortised cost, or
- financial assets at fair value.

A financial asset that meets the following two conditions can be measured at amortised cost: the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss for the reporting period, except for an investment in an equity instrument which is not held for trading. IFRS 9 allows an entity to make an irrevocable election, on initial recognition, to present fair value measurement of the investment in other comprehensive income (OCI). The election is available on an individual instrument-by-instrument basis. No amount recognised in OCI may be ever reclassified to profit or loss at a later date.

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

The proposals provide that contributions from employees or third parties that are linked solely to the employee's service rendered in the same period in which they are paid, may be treated as a reduction in the service cost and accounted for in that same period.

Other employee contributions would be attributed to periods of service in the same way as the gross benefits under the scheme.

a) Annual Improvements to IFRSs (2010–2012 Cycle), effective for reporting periods beginning on or after July 1st 2014.
b) Annual Improvements to IFRSs (2011–2013 Cycle), effective for reporting periods beginning on or after July 1st 2014.
c) IFRIC 21: Levies (May 20th 2013), effective for reporting periods beginning on or after January 1st 2014.

The interpretation relates to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. One of the criteria for the recognition of a liability under IAS 37 is the requirement for a present obligation to have arisen as a result of a past event (obligating event).

The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy imposed by the government is an activity that triggers the payment of the levy in accordance with applicable legislation. The interpretation does not apply to fines and penalties imposed for breach of law and levies that are within the scope of other IFRS/IAS (e.g. IAS 12 Income Taxes).

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

THE SECO/WARWICK GROUP

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

1. REVENUE

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

Sales revenue and total revenue and income of the Group:

Item	H1 2014	H1 2013
Sales of products	198,297	244,013
Sales of merchandise and materials	10,433	9,404
TOTAL sales revenue	**208,730**	**253,417**
Other income	3,522	2,754
Finance income	3,772	3,925
TOTAL revenue and income	**216,024**	**260,097**

2. OPERATING SEGMENTS

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

Vacuum furnaces (Vacuum)

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces may be used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing. Use of vacuum furnaces brings economic benefits. They are also environmentally friendly.

Aluminium heat exchanger brazing systems (CAB)

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

Atmosphere furnaces (Thermal)

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

Aluminium heat treatment systems (Aluminium Process)

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

Melting furnaces

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

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

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

Other

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

- the EU market,
- Russian, Belarusian and Ukrainian markets
- the US market,
- the Asian market,
- other countries.

Financial data for the segments includes only segment revenue, expenses and segment's profit or loss. It is impracticable for the Group to allocate assets to the particular segments as its plant and equipment (including buildings and structures) is shared by all the segments.

OPERATING SEGMENTS – H1 2013

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**46,585**	**27,576**	**42,983**	**19,609**	**103,191**	**239,944**		**13,473**	**253,417**
Total segment expenses	**-31,559**	**-19,051**	**-32,415**	**-15,408**	**-76,115**	**-174,549**		**-9,704**	**-184,254**
Administrative expenses								-33,650	**-33,650**
Distribution costs								-13,479	**-13,479**
Operating income								2,754	**2,754**
Operating expenses								-3,703	**-3,703**
Segment profit/(loss) on operating activities	**15,026**	**8,525**	**10,568**	**4,201**	**27,076**	**65,395**			**21,085**
Finance income								3,925	**3,925**
Net finance costs								-4,007	**-4,007**
Share in profit of associate								-27	**-27**
Profit before tax									**20,977**
Actual tax expense									**-8,063**
Profit/(loss) from continuing operations									**12,914**
Loss of control									**-**
Profit/(loss) attributable to non-controlling interests								-103	**-103**
Net profit/(loss) for period									**13,017**

OPERATING SEGMENTS – H1 2014

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Atmosphere Furnaces*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**49,212**	**18,805**	**56,648**	**15,949**	**47,999**	**188,613**		**20,117**	**208,730**
Total segment expenses	**-35,340**	**-13,074**	**-44,687**	**-13,269**	**-38,573**	**-144,943**		**-12,093**	**-157,036**
Administrative expenses								-30,446	**-30,446**
Distribution costs								-14,668	**-14,668**
Operating income								3,522	**3,522**
Operating expenses								-3,407	**-3,407**
Segment profit/(loss) on operating activities	**13,872**	**5,731**	**11,961**	**2,680**	**9,426**	**43,670**			**6,694**
Finance income								3,772	**3,772**
Net finance costs								-2,588	**-2,588**
Share in profit of associate								-324	**-324**
Profit before tax									**7,554**
Actual tax expense									**-2,878**
Profit/(loss) from continuing operations									**4,676**
Loss of control									**-**
Profit/(loss) attributable to non-controlling interests								-1,033	**-1,033**
Net profit/(loss) for period									**5,709**

3. GEOGRAPHICAL SEGMENTS – H1 2013

Item	EU	Russia, Belarus and Ukraine	US	Asia	Other	Total
Total revenue	**61,279**	**17,697**	**85,258**	**75,632**	**13,552**	**253,417**
Sales to external customers – continuing operations	61,279	17,697	85,258	75,632	13,552	253,417
Sales to external customers – discontinued operations	-	-	-	-	-	**-**

GEOGRAPHICAL SEGMENTS – H1 2014

Item	EU	Russia, Belarus and Ukraine	US	Asia	Other	Total
Total revenue	**62,725**	**23,234**	**62,367**	**37,466**	**22,938**	**208,730**
Sales to external customers – continuing operations	62,725	23,234	62,367	37,466	22,938	208,730
Sales to external customers – discontinued operations	-	-	-	-	-	**-**

4. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Jun 30 2014	Jan 1–Jun 30 2013
Interest income	359	772
Revaluation of investments	2,090	-
Net foreign exchange gains	-	2,780
Other	1,322	373
Total finance income	**3,772**	**3,925**

FINANCE COSTS	Jan 1–Jun 30 2014	Jan 1–Jun 30 2013
Interest on bank loans	1,420	854
Loss on derivative instruments at maturity	-	1,809
Balance-sheet valuation of derivative instruments	394	-
Net foreign exchange losses	697	-
Other	78	1,344
Total finance costs	**2,588**	**4,007**

5. ASSETS HELD FOR SALE

The assets held for sale disclosed in the statement of financial position, of PLN 722 thousand, are shares in SECO/WARWICK Tianjin.

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

Item	Jun 30 2014	Dec 31 2013
Opening balance	722	**3,708**
Reclassification	-	2,986
Assets held for sale	**722**	**722**

6. EARNINGS PER SHARE

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

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

Item	Jun 30 2014	Jun 30 2013
Net profit from continuing operations attributable to shareholders	5,709	13,017
Loss from discontinued operations attributable to shareholders	-	-
Net profit attributable to owners of the parent	5,709	13,017
Interest on redeemable preference shares convertible into ordinary shares	-	-

Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	**5,709**	**13,017**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,731,468	10,476,210
Earnings per share	**0.53**	**1.24**
Dilutive effect:		
Number of potential subscription warrants	238,373	500,000
Number of potential shares issued at market price	2,888	2,302
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,966,953	10,973,908
Diluted earnings per share	**0.52**	**1.19**

7. PROPERTY, PLANT AND EQUIPMENT

Item	Jun 30 2014	Dec 31 2013	Jun 30 2013
Tangible assets	75,847	76,739	79,350
Tangible assets under construction	6,552	3,476	2,011
Prepayments for tangible assets under construction	-	-	-
Property, plant and equipment	**82,399**	**80,215**	**81,361**

Changes in property, plant and equipment (by type) in the period Jan 1–Jun 30 2013

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2013	**2,361**	**28,390**	**35,636**	**7,434**	**3,445**	**77,266**
Increase, including:	**7,486**	**21,451**	**2,331**	**1,393**	**3,291**	**35,953**
Assets acquired	-	785	1,028	387	218	**2,419**
Assets generated internally	-	57	-	-	-	**57**
Lease agreements	**-**	**-**	**-**	634	**-**	**634**
Tangible assets of acquired entities	7,486	20,608	1,303	371	3,073	**32,843**
Decrease, including:	**-**	**-**	**60**	**247**	**3**	**310**
Disposals	-	-	60	247	3	**310**
Gross carrying amount as at Jun 30 2013	**9,847**	**49,841**	**37,907**	**8,579**	**6,734**	**112,909**
Cumulative depreciation as at Jan 1 2013	**-**	**6,405**	**17,253**	**3,676**	**1,810**	**29,144**
Increase, including:	**-**	**2,029**	**1,861**	**667**	**1,442**	**5,999**
Depreciation	-	456	1,483	502	208	**2,650**

Tangible assets of acquired entities	-	1,572	378	165	1,234	**3,349**
Decrease, including:	**-**	**-**	**48**	**206**	**3**	**256**
Sale	-	-	3	206	-	**209**
Liquidation	-	-	44	-	3	**47**
Cumulative depreciation as at Jun 30 2013		**8,434**	**19,067**	**4,137**	**3,249**	**34,887**
Impairment losses as at Jan 1 2013	-	-	-	-	-	**-**
Impairment losses as at Jun 30 2013	-	-	-	-	-	**-**
Net exchange differences on translating financial statements into presentation currency	76	586	466	133	67	**1,328**
Net carrying amount as at Jun 30 2013	**9,923**	**41,993**	**19,306**	**4,576**	**3,552**	**79,350**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2013

Item	**Land**	**Buildings and structures**	**Machinery and equipment**	**Vehicles**	**Other**	**Total**
Gross carrying amount as at Jan 1 2013	**2,361**	**28,390**	**35,636**	**7,434**	**3,445**	**77,266**
Increase, including:	**6,538**	**21,171**	**5,272**	**1,988**	**3,943**	**38,913**
Assets acquired	-	2,680	2,500	480	602	6,262
Assets generated internally	-	57	-	-	-	57
Reclassification	-	-	966	-	-	966
Lease agreements	-	-	-	940	-	940
Tangible assets of acquired entities	6,538	18,434	1,806	568	3,341	30,687
Decrease, including:	**-**	**-**	**122**	**254**	**166**	**541**
Disposals	-	-	8	254	163	425
Liquidation	-	-	113	-	3	116
Gross carrying amount as at Dec 31 2013	**8,899**	**49,652**	**40,787**	**9,168**	**7,223**	**115,638**
Cumulative amortisation as at Jan 1 2013	-	**6,405**	**17,253**	**3,676**	**1,810**	**29,144**
Increase, including:	**-**	**2,681**	**4,135**	**1,382**	**1,829**	**10,028**

Depreciation	-	894	2,895	1,034	439	5,261
Tangible assets of acquired entities	-	1,788	1,240	349	1,391	4,767
Decrease, including:	**-**	**-**	**107**	**207**	**3**	**316**
Sale	-	-	22	207	-	228
Revaluation	-	-	85	-	3	88
Cumulative amortisation as at Dec 31 2013	**-**	**9,086**	**21,282**	**4,851**	**3,636**	**38,856**
Impairment losses as at Jan 1 2013	-	-	-	-	-	-
Impairment losses as at Dec 31 2013	-	-	-364	13	345	-6
Net exchange differences on translating financial statements into presentation currency	19	32	-327	67	159	-49
Net carrying amount as at Dec 31 2013	**8,918**	**40,508**	**19,542**	**4,370**	**3,401**	**76,739**

Changes in property, plant and equipment (by type) in the period Jan 1–Jun 30 2014

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2014	**8,899**	**49,562**	**40,787**	**9,168**	**7,223**	**115,638**
Increase, including:	**-**	**285**	**737**	**8**	**541**	**1,571**
Assets acquired	-	285	737	8	541	**1,571**
Lease agreements	**-**	**-**	**-**	-	-	**-**
Other	-	-	-	**-**	-	**-**
Decrease, including:	**-**	**-**	**1,021**	**240**	**-**	**1,261**
Disposals	-	-	972	238	-	**1,211**
Liquidation	-	-	49	1	-	**50**
Other	-	-	-	-	-	-
Gross carrying amount as at Jun 30 2014	**8,899**	**49,847**	**40,502**	**8,936**	**7,764**	**115,948**
Cumulative depreciation as at Jan 1 2014	**-**	**9,086**	**21,282**	**4,851**	**3,636**	**38,856**
Increase, including:	**-**	**859**	**1,425**	**516**	**301**	**3,101**

Depreciation	-	859	1,425	516	301	**3,101**
Decrease, including:	**-**	**-**	**206**	**134**	**-**	**339**
Sale	-	-	163	132	-	**295**
Liquidation	-	-	-	-	-	**-**
Revaluation	-	-	43	1	-	**44**
Cumulative depreciation as at Jun 30 2014	**-**	**9,945**	**22,502**	**5,234**	**3,937**	**41,617**
Impairment losses as at Jan 1 2014	-	-	-	-	-	**-**
Impairment losses as at Jun 30 2014	-	-	-	-	-	**-**
Net exchange differences on translating financial statements into presentation currency	289	958	101	335	-167	**1,516**
Net carrying amount as at Jun 30 2014	**9,188**	**40,860**	**18,101**	**4,037**	**3,661**	**75,847**

No impairment losses on tangible assets were recognised in Jan 1st–Jun 30th 2014.

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2013	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2013*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
1,235	**2,362**	403	201	825	149	25	**2,011**

Tangible assets under construction as at Jan 1 2013	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2013*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
1,235	**9,524**	2,688	1,693	1,131	82,013	1,690	**3,476**

Tangible assets under construction as at Jan 1 2014	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Jun 30 2014*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
3,476	**5,222**	285	234	219	385	1,022	**6,552**

8. IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Jun 30 2014	Dec 31 2013	Jun 30 2013
Trade receivables	3,587	3,656	3,913
Equity interests	2,308	2,308	2,320
Loans	821	821	821
Inventories	2,826	2,672	2,237

9. INVENTORIES

Item	Jun 30 2014	Dec 31 2013	Jun 30 2013
Materials (at cost)	22,178	21,244	24,484
Semi-finished products and work in progress	4,659	8,280	10,065
Finished goods	955	3,124	1,968
Merchandise	12	-	175
Total inventories (carrying amount)	**27,803**	**32,648**	**36,693**
Write-downs of inventories	2,826	2,672	2,237
Gross inventories	**30,628**	**35,320**	**38,929**

CHANGE IN INVENTORY WRITE-DOWNS

WRITE-DOWNS	Jun 30 2014	Dec 31 2013	Jun 30 2013
Opening balance	**2,672**	**2,096**	**2,096**
Increase, including:	**139**	**698**	**141**
- write-downs recognised in correspondence with other expenses	139	698	83
Net exchange differences on translating financial statements into presentation currency	-	-	58
Decrease, including:	**15**	**112**	**-**
- write-downs reversed in correspondence with other income	-	99	-
Net exchange differences on translating financial statements into presentation currency	15	23	-
Closing balance	**2,826**	**2,672**	**2,237**

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

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

On March 31st 2014, the Company received a dividend of PLN 9,095.4 thousand from its wholly-owned subsidiary Retech Systems LLC.

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

11. GOODWILL

The table below presents increases/decreases in goodwill on full consolidation of subsidiaries SECO/WARWICK Allied and SECO/WARWICK do Brasil.

Item	Jun 30 2014	Dec 31 2013	Jun 30 2013
Consolidation goodwill at beginning of period	78,860	60,720	60,720
Increase in consolidation goodwill – acquisition of SECO/WARWICK do Brasil	1,053	15,434	15,820
Increase in consolidation goodwill – increased equity interest in SECO/WARWICK Allied	-	9,078	9,078
Exchange differences on translation of goodwill	1,703	-6,371	2,822
Total goodwill at end of period	**81,617**	**78,860**	**88,440**

12. LONG-TERM CONTRACTS

Item	Jun 30 2014	Dec 31 2013	Jun 30 2013
Aggregate amount of costs incurred on construction contracts and recognised profits (less recognised losses)	706,950	635,180	648,905
Advances received	-664,325	-589,806	-603,023
Excess of advances received over recognised revenue estimated using the percentage of completion method	55,796	53,279	49,845
Contract settlement, total	**98,421**	**98,653**	**95,727**

13. INVESTMENT COMMITMENTS

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

As at June 30th 2014, SECO/WARWICK EUROPE Sp. z o.o. had investment commitments of PLN 139 thousand.

14. LOANS

	Jun 30 2014	Dec 31 2013	Jun 30 2013
Increase in loans advanced, including:	538	548	-
- non-current	538	-	-
- current	-	548	-

On March 21st 2014, SECO/WARWICK S.A. advanced a RUB 6,000 thousand loan to its associate OOO SCT. The loan is to be repaid on February 26th 2016.

No loans were provided to members of the management boards or supervisory boards of the Group companies in 2013 or H1 2014.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Jun 30 2014		Dec 31 2013		Jun 30 2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	2,632	-	3,822	5	748	3,122
Total financial assets and liabilities at fair value through profit or loss	**2,632**	**-**	**3,822**	**5**	**748**	**3,122**
- non-current	-	-	-	-	-	-
- current	2,632	-	3,822	-	748	3,122

Total financial assets and liabilities at fair value through equity	**-**	**589**	**1,324**	**5**	**-**	**716**
- non-current	-	-	-	-	-	-
- current	-	589	1,324	-	-	716

Disclosures of derivative financial instruments which qualify for hedge accounting

In H1 2014, SECO/WARWICK EUROPE Sp. z o.o. used currency forwards to hedge an average of up to 60% of its export cash flows denominated in EUR, up to 80% of its cash flows denominated in USD, up to 90% of its cash flows denominated in GBP, 50% of its cash flows denominated in RUB and 60% of its cash flows denominated in CZK. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of EUR-, USD-, GBP-, RUB- or CZK-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria provided for in IAS 39:88 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects profit or loss, any negative valuation previously recognised in equity is reclassified to profit or loss. Fair value of currency forward contracts was determined by the bank which is a party to the transactions.

The table below presents total values of hedging relationships open as at June 30th 2014.

Jun 30 2014	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2014	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	49,666	31,569	22,982	1,819	1,215	604	Jul 28 2014–Sep 4 2015

Jun 30 2014	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2014	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	14,632	11,147	5,161	726	560	166	Aug 28 2014–May 31 2015

Jun 30 2014	Notional amount of contract (CZK '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2014	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	8,295	4,977	4,977	11	9	2	Aug 29 2014–Aug 29 2014

Jun 30 2014	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2014	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	351	315	220	-31	-23	-8	Aug 27 2014–Aug 27 2014

Jun 30 2014	Notional amount of contract (RUB '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2014	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	66,000	34,000	34,000	-33.09	-1.4	-31.69	Aug 27 2014–Aug 27 2014

Jun 30 2014	Notional amount of contract (EUR/USD '000)*	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2014	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	530	318	128	-0.18	-0.12	-0.06	Oct 31 2014–Oct 31 2014

* Offsetting a transaction in respect of a USD-denominated contract which was executed in EUR by mistake.

16. MATERIAL ERROR CORRECTIONS

No material error corrections were made in H1 2014.

17. PRESENTATION ADJUSTMENTS

In order to ensure data comparability, a presentation adjustment was made in the consolidated statement of comprehensive income for the period January 1st–June 30th 2013. It related to costs being incorrectly deducted as cost of sales instead of administrative expenses and distribution costs. The adjustment had no effect on profit or loss for the period January 1st–June 30th 2013.

	Before adjustment	After adjustment
Finished goods sold	-182,908	-178,683
Merchandise and materials sold	-5,571	-5,571
Cost of sales	**-188,479**	**-184,254**
Gross profit/(loss)	**64,939**	**69,164**
Distribution costs	-12,421	-13,479
Administrative expenses	-30,483	-33,650

18. OFF-BALANCE-SHEET ITEMS

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 67,723 thousand as at June 30th 2014, and to PLN 75,509 thousand as at the end of 2013. The guarantees were issued in respect of:

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

SURETIES ADVANCED BY SECO/WARWICK S.A.

Company	Bank	Surety in respect of	Currency	Jun 30 2014	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	258,200	13,096
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	76,183
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	5,500*	16,760
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800**	5,485
TOTAL					**111,524**

* The amount drawn by Retech Systems under the available credit facilities as at June 30th 2014 was USD 1,650 thousand.

** No funds were drawn by S/W Corporation under the available credit facilities as at June 30th 2014.

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

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

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

19. RESTRUCTURING PROVISIONS

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

20. SETTLEMENTS RELATED TO COURT CASES

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

21. RELATED PARTIES

Related party	*Year*	*Sales*	*Purchases*	*Receivables*	*Liabilities towards related parties*
SECO/WARWICK EUROPE Sp. z o.o.					
	Dec 31 2013	5,713	4,051	2,904	289
	Jun 30 2013	9,271	3,899	14,668	3,342
	Jun 30 2014	3,050	7,346	1,199	2,433
SECO/WARWICK Corporation					
	Dec 31 2013	2,401	3	891	3
	Jun 30 2013	46	2,844	4	3,965
	Jun 30 2014	1,078	7	1,977	7
SECO/WARWICK GmbH					
	Dec 31 2013	-	56	-	56
	Jun 30 2013	-	-	49	507
	Jun 30 2014	37	31	-	5
SECO/WARWICK Rus					
	Dec 31 2013	-	-	-	-
	Jun 30 2013	782	5,094	358	3,528
	Jun 30 2014	-	-	-	-
RETECH					
	Dec 31 2013	1,640	-	751	-
	Jun 30 2013	392	958	1,432	3,769
	Jun 30 2014	673	-	465	-
SECO/WARWICK RETECH					
	Dec 31 2013	1,447	-	1,494	-
	Jun 30 2013	-	624	452	3,084
	Jun 30 2014	473	-	1,985	-
SECO/WARWICK Allied					
	Dec 31 2013	1,691	-	1,704	-
	Jun 30 2013	-	524	-	957

Jun 30 2014	1,045	-	2,770	-
SECO/WARWICK Service GmbH				
Dec 31 2013	54	-	54	-
Jun 30 2013	443	13	289	13
Jun 30 2014	-	-	75	-
SECO/WARWICK do Brasil				
Dec 31 2013	31	-	55	-
Jun 30 2013	-	-	-	-
Jun 30 2014	112	-	167	-

No material transactions were executed with any related parties other than the Group companies.

22. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Jun 30 2014	Jun 30 2013
Cash in the statement of financial position	**38,382**	**69,256**
Exchange differences on balance-sheet valuation	-71	-4
Total cash and cash equivalents disclosed in the statement of cash flows	**38,311**	**69,252**

23. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

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

24. EVENTS UNUSUAL DUE TO THEIR NATURE, SIZE OR INCIDENCE

No such events occurred.

25. MATERIAL EVENTS AFTER THE INTERIM PERIOD NOT REFLECTED IN THE FINANCIAL STATEMENTS

No such events occurred.

Date: September 1st 2014

Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

SECO/WARWICK S.A.

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2014 PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (PLN '000)

	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2013
ASSETS			
Non-current assets			
Property, plant and equipment	2,158	2,446	2,532
Investment property	-	-	-
Intangible assets	12,221	11,404	11,186
Investments in subsidiary, jointly-controlled and associated entities	193,539	188,901	185,861
Deferred tax assets	2,692	2,330	1,748
	210,610	**205,081**	**201,326**
Inventories	-	-	2,112
Trade receivables	11,398	8,725	4,105
Income tax assets	-	-	-
Other current receivables	4,244	1,771	3,524
Accruals and deferred income	140	224	245
Financial assets at fair value through profit or loss	-	-	-
Loans and receivables	4,665	4,220	3,731
Cash and cash equivalents	3,871	10,288	7,868
Contract settlement	-	-	2
	20,118	**25,228**	**21,587**
ASSETS HELD FOR SALE	**361**	**361**	**361**
TOTAL ASSETS	**235,288**	**230,670**	**223,274**

	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2013
EQUITY AND LIABILITIES			
Equity			
Share capital	**3,704**	**3,693**	**3,652**
Statutory reserve funds	178,072	171,219	171,219
Other components of equity	4,212	3,147	1,065
Retained earnings/(deficit)	21,323	17,808	8,839
	207,311	**195,867**	**184,775**
Non-current liabilities			
Borrowings and other debt instruments	6,533	8,162	10,344
Financial liabilities	362	3,981	4,459
Deferred tax liabilities	1,974	2,510	2,234
Provision for retirement and similar benefits	-	-	-
Accruals and deferred income	4,018	4,143	3,611
	12,887	**18,796**	**20,648**
Current liabilities			
Borrowings and other debt instruments	3,450	3,410	7,187
Financial liabilities	4,410	3,952	4,581
Trade payables	3,112	2,800	1,368
Loans received	915	-	46
Income tax payable	1,118	-	46
Other current liabilities	1,067	3,210	2,887
Provision for retirement and similar benefits	1,017	1,629	1,202
Other provisions	-	687	33
Accruals and deferred income	-	319	501
	15,089	**16,007**	**17,852**
LIABILITIES HELD FOR SALE			
TOTAL EQUITY AND LIABILITIES	**235,288**	**230,670**	**223,274**

Date: September 1st 2014

Person responsible for the accounting records:	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
Ryszard Rej	*President of the Management Board*	*Vice-President of the Management Board*	*Vice-President of the Management Board*

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME (PLN '000)

	For the period Jan 1–Jun 30 2014	For the period Jan 1–Jun 30 2013
Revenue from sale of finished goods	14,329	4,642
Revenue from sale of merchandise and materials	-	365
Revenue	**14,329**	**5,007**
Finished goods sold	-13,690	-4,565
Merchandise and materials sold	-	-365
Cost of sales	**-13,690**	**-4,930**
Gross profit/(loss)	**639**	**77**
Other income	185	1,102
Distribution costs	-	-
Administrative expenses	-2,298	-6,933
Other expenses	-91	-399
Operating profit/(loss)	**-1,566**	**-6,154**
Finance income	22,036	12,543
Finance costs	-1,375	-123
Profit/(loss) before tax	**19,095**	**6,267**
Actual tax expense	-674	-330
Net profit/(loss) from continuing operations	**18,421**	**5,937**
Profit/(loss) from discontinued operations	**-**	**-**
Net profit/(loss) for financial year	**18,421**	**5,937**

OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	-	-
Income tax on other comprehensive income	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income	**18,421**	**5,937**

Date: September 1st 2014

Person responsible for the accounting records:	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
Ryszard Rej	*President of the Management Board*	*Vice-President of the Management Board*	*Vice-President of the Management Board*

INTERIM SEPARATE STATEMENT OF CASH FLOWS (PLN '000)

	For the period Jan 1–Jun 30 2014	For the period Jan 1–Jun 30 2013
OPERATING ACTIVITIES		
Profit/(loss) before tax	**19,095**	**6,267**
Adjustments for:	**-27,275**	**-7,169**
Depreciation and amortisation	694	652
Foreign exchange gains/(losses)	819	383
Interest and profit distributions (dividends)	-21,218	-11,932
Gain/(loss) on investing activities	-	-9
Change in provisions	-1,299	-674
Change in receivables	-5,146	2,244
Change in current liabilities (other than financial liabilities)	-1,831	82
Change in accruals and deferrals	-359	1,021
Other adjustments	1,065	1,065
Cash from operating activities	**-8,180**	**-903**
Income tax (paid)/recovered	-455	-
Net cash flows from operating activities	**-8,635**	**-903**
INVESTING ACTIVITIES		
Cash provided by investing activities	**21,294**	**12,068**
Proceeds from disposal of intangible assets and property, plant and equipment	-	53
Decrease in non-current loans advanced	-	-
Interest income	-	-
Dividends and profit distributions received	21,294	12,015
Cash used in investing activities	**10,027**	**39,669**
Investments in intangible assets, property, plant and equipment, and investment property	1,223	714
Acquisition of related entities	8,804	37,912
Increase in loans advanced	-	1,043
Net cash flows from investing activities	**11,267**	**-27,601**
FINANCING ACTIVITIES		
Cash provided by financing activities	**925**	**13,105**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	12	-
Borrowings and other debt instruments	913	13,105
Cash used in financing activities	**10,003**	**1,016**
Dividends and other distributions to owners	8,053	**-**
Distributions from profit other than distributions to owners	-	-
Repayment of borrowings and other debt instruments	1,729	825
Payment of finance lease liabilities	79	68

Interest paid	141	123
Net cash flows from financing activities	**-9,078**	**12,089**
Total net cash flows	**-6,446**	**-16,414**
Net change in cash, including:	**-6,417**	**-16,381**
- effect of exchange rate fluctuations on cash held	29	34
Cash at beginning of the period	**10,309**	**24,274**
Cash at end of the period	**3,864**	**7,860**

Date: September 1st 2014

Person responsible for the accounting records: Ryszard Rej	Paweł Wyrzykowski *President of the Management Board*	Wojciech Modrzyk *Vice-President of the Management Board*	Jarosław Talerzak *Vice-President of the Management Board*

INTERIM STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Retained earnings/(deficit)	Non-controlling interests	Total equity
Six months ended Jun 30 2013							
Equity as at Jan 1 2013	**3,652**	**165,531**	**1,333**	**-**	**8,591**	**-**	**179,106**
Total comprehensive income for the six months ended Jun 30 2013	-	-	-	-	5,937	-	**5,937**
Management stock options	-	-	-	1,065	-	-	**1,065**
Disposal of organised part of business	-	-	- 1,333	-	-	-	**- 1,333**
Distribution of profit	-	5,689	-	-	- 5,689	-	**-**
Equity as at Jun 30 2013	**3,652**	**171,219**	**-**	**1,065**	**8,839**	**-**	**184,775**
Twelve months ended Dec 31 2013							
Equity as at Jan 1 2013	**3,652**	**165,531**	**1,333**	**-**	**8,591**	**-**	**179,106**
Total comprehensive income for the twelve months ended Dec 31 2013	-	-	-	-	14,906	-	**14,906**
Share capital increase	41	-	-	-	-	-	**41**
Management stock options	-	-	-	3,147	-	-	**3,147**
Disposal of organised part of business	-	-	-1,333	-	-	-	**-1,333**
Distribution of profit	-	5,688	-	-	- 5,688	-	**-**
Equity as at Dec 31 2013	**3,693**	**171,219**	**-**	**3,147**	**17,809**	**-**	**195,867**
Six months ended Jun 30 2014							
Equity as at Jan 1 2014	**3,693**	**171,219**	**-**	**3,147**	**17,809**	**-**	**195,867**
Total comprehensive income for the six months ended Jun 30 2014	-	-	-	-	18,421	-	**18,421**
Share capital increase	12	-	-	-	-	-	**12**
Profit distribution (dividend)	-	-	-	-	- 8,053	-	**-8,053**
Management stock options	-	-	-	1,065	-	-	**1,065**
Disposal of organised part of business	-	-	-	-	-	-	**-**
Distribution of profit	-	6,853	-	-	-6,853	-	**-**
Equity as at Jun 30 2014	**3,704**	**178,072**	**-**	**4,212**	**21,323**	**-**	**207,311**

Date: September 1st 2014

Person responsible for keeping accounting records: Ryszard Rej

Paweł Wyrzykowski
President of the Management Board

Wojciech Modrzyk
Vice-President of the Management Board

Jarosław Talerzak
Vice-President of the Management Board

SECO/WARWICK S.A.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30TH 2014

BASIS OF PREPARATION

These half-year condensed separate financial statements have been prepared in compliance with IAS 34 and Art. 45.1a–1c of the Polish Accountancy Act (Dz.U. of 2013, item 330, as amended) and secondary legislation issued thereunder, as well as in compliance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U.of 2009 No. 33, item 259, as amended), with the same policies applied with respect to the current and comparative interim periods as were published in the Company's separate annual report on April 29th 2014.

These interim condensed separate financial statements of the Company should be read in conjunction with the consolidated financial statements authorised for issue by the Management Board and published on the same date as these condensed separate financial statements, in order to obtain complete information on the SECO/WARWICK Group's assets and financial position as at June 30th 2014 and its financial performance in the period from January 1st to June 30th 2014, in accordance with the International Financial Reporting Standards endorsed by the European Union.

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

Relevant comparative data is sourced from the statements of financial position as at December 31st 2013 and June 30th 2013, statement of comprehensive income and statement of cash flows for the six months ended June 30th 2013, as well as the statements of changes in equity for the six months ended June 30th 2013 and for the twelve months ended December 31st 2013.

The financial data presented in these interim condensed separate financial statements has been reviewed by an independent auditor.

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

These interim condensed financial statements for the six months ended June 30th 2014 have been prepared on a going-concern assumption.

These interim condensed financial statements have been prepared in accordance with the same accounting policies and computation methods as were applied to prepare the most recent annual financial statements. These policies and methods are described in Section IV of supplementary information to the interim condensed consolidated financial statements.

In these interim condensed financial statements no significant changes were made to the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years which would have a material effect on the current interim period.

1. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Jun 30 2014	Jan 1–Jun 30 2013
Interest income	91	102
Net foreign exchange gains	-	427
Dividend received	21,294	12,015
Other	650	-
Total finance income	**22,036**	**12,543**

FINANCE COSTS	Jan 1–Jun 30 2014	Jan 1–Jun 30 2013
Interest on bank loans	143	123
Net foreign exchange losses	1,232	-
Total finance costs	**1,375**	**123**

2. PROPERTY, PLANT AND EQUIPMENT

Item	Jun 30 2014	Dec 31 2013	Jun 30 2013
Tangible assets	2,158	2,446	2,532
Tangible assets under construction	-	-	-
Prepayments for tangible assets under construction	-	-	-
Property, plant and equipment	**2,158**	**2,446**	**2,532**

Changes in property, plant and equipment (by type) in the period Jan 1–Jun 30 2013

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2013	**840**	**12,401**	**13,030**	**4,160**	**1,479**	**31,910**
Increase, including:	-	**57**	**124**	**528**	**4**	**714**
Assets acquired	-	-	124	110	4	**238**
Assets generated internally	-	57	-	-	-	**57**
Lease agreements	-	-	-	418	-	**418**
Decrease, including:	**790**	**11,195**	**12,800**	**2,762**	**1,389**	**28,936**
Disposals	-	-	6	247	-	**253**
Contribution of organised part of business	790	11,195	12,794	2,515	1,389	**28,683**
Gross carrying amount as at Jun 30 2013	**50**	**1,264**	**353**	**1,926**	**94**	**3,686**
Cumulative depreciation as at Jan 1 2013	**-**	**3,226**	**6,133**	**2,029**	**917**	**12,306**
Increase, including:	-	**33**	**25**	**186**	**3**	**246**
Depreciation	-	33	25	186	3	**246**
Revaluation	-	-	-	-	-	**-**
Decrease, including:	-	**2,719**	**6,020**	**1,802**	**855**	**11,396**
Sale	-	-	3	206	-	**209**

Liquidation	-	-	-	-	-	-
Contribution of organised part of business	-	2,719	6,016	1,597	855	**11,187**
Cumulative depreciation as at Jun 30 2013	-	**540**	**138**	**413**	**65**	**1,155**
Impairment losses as at Jan 1 2013	-	-	-	-	-	-
Increase, including:	-	-	-	-	-	-
Decrease, including:	-	-	-	-	-	-
Impairment losses as at Jun 30 2013	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount as at Jun 30 2013	**50**	**724**	**215**	**1,514**	**29**	**2,532**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2013

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2013	**840**	**12,401**	**13,030**	**4,160**	**1,479**	**31,910**
Increase, including:	**-**	**57**	**222**	**617**	**4**	**901**
Assets acquired	-	-	222	110	4	**337**
Assets generated internally	-	57	-	-	-	**57**
Lease agreements	-	-	-	507	-	**507**
Decrease, including:	**790**	**11,195**	**12,800**	**2,762**	**1,389**	**28,936**
Disposals	-	-	6	247	-	**253**
Liquidation	-	-	-	-	-	**-**
Revaluation	-	-	-	-	-	**-**
Contribution of organised part of business	790	11,195	12,794	2,515	1,389	**28,683**
Gross carrying amount as at Dec 31 2013	**50**	**1,264**	**450**	**2,015**	**94**	**3,874**
Cumulative depreciation as at Jan 1 2013	**-**	**3,226**	**6,133**	**2,029**	**917**	**12,306**
Increase, including:	**-**	**66**	**62**	**385**	**5**	**519**
Depreciation	-	66	62	385	5	**519**
Revaluation	-	-	-	-	-	**-**
Decrease, including:	-	**2,719**	**6,019**	**1,802**	**855**	**11,396**
Sale	-	-	3	206	-	**209**
Liquidation	-	-	-	-	-	**-**
Contribution of organised part of business	-	2,719	6,016	1,596	855	**11,187**
Cumulative amortisation as at Dec 31 2013	**-**	**574**	**175**	**611**	**68**	**1,428**
Impairment losses	-	-	**-**	-	-	**-**

as at Jan 1 2013						
Increase:	-	-	-	-	-	-
Decrease:	-	-	-	-	-	-
Impairment losses as at Dec 31 2013	-	-	-	-	-	-
Net carrying amount as at Dec 31 2013	**50**	**689**	**276**	**1,404**	**26**	**2,446**

Changes in property, plant and equipment (by type) in the period Jan 1–Jun 30 2014

Item	**Land**	**Buildings and structures**	**Machinery and equipment**	**Vehicles**	**Other**	**Total**
Gross carrying amount as at Jan 1 2014	**50**	**1,264**	**450**	**2,015**	**94**	**3,873**
Increase, including:	-	-	-	-	-	-
Assets acquired	-	-	-	-	-	-
Assets generated internally	-	-	-	-	-	-
Lease agreements	-	-	-	-	-	-
Decrease, including:	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Liquidation	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Gross carrying amount as at Jun 30 2014	**50**	**1,264**	**450**	**2,015**	**94**	**3,873**
Cumulative depreciation as at Jan 1 2014	-	**574**	**175**	**611**	**68**	**1,428**
Increase, including:	-	**34**	**41**	**210**	**2**	**287**
Depreciation	-	34	41	210	2	**287**
Revaluation	-	-	-	-	-	-
Decrease, including:	-	-	-	-	-	-
Sale	-	-	-	-	-	-
Liquidation	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Cumulative depreciation as at Jun 30 2014	-	**608**	**216**	**821**	**70**	**1,715**
Impairment losses as at Jan 1 2014	-	-	-	-	-	-
Increase, including:	-	-	-	-	-	-
Decrease, including:	-	-	-	-	-	-
Liquidation	-	-	-	-	-	-
Impairment losses as at Jun 30 2014	-	-	-	-	-	-
Net carrying amount	**50**	**656**	**234**	**1,194**	**24**	**2,158**

as at Jun 30 2014

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2013	Expenditure incurred in the financial year	Accounting for the expenditure					As at Jun 30 2013
		Buildings, premises and civil engineering structures	Machinery and equipment	Vehicles	Other	Intangible assets	
4	714	57	129	528	4	0	**0**

Tangible assets under construction as at Jan 1 2013	Expenditure incurred in the financial year	Accounting for the expenditure					Dec 31 2013
		Buildings, premises and civil engineering structures	Machinery and equipment	Vehicles	Other	Intangible assets	
4	**901**	57	222	617	4	4	**0**

Tangible assets under construction as at Jan 1 2014	Expenditure incurred in the financial year	Accounting for the expenditure					As at Jun 30 2014
		Buildings, premises and civil engineering structures	Machinery and equipment	Vehicles	Other	Intangible assets	
-	**-**	-	-	-	-	-	**-**

3. INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Company	Carrying amount of shares as at Jun 30 2014	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
SECO/WARWICK EUROPE	70,407	100%	100%	full	236,000	117,066	114,477	13,715
SECO/WARWICK Corporation	21,806	100%	100%	full	42,317	36,346	40,098	-655
SECO/WARWICK Rus	172	100%	100%	full	3,726	4,220	1,043	-9
RETECH Systems LLC	50,863	100%	100%	full	65,124	19,510	40,533	673
SECO/WARWICK ALLIED	22,077	75%	75%	full	61,659	47,411	13,287	-2,291
SECO/WARWICK Retech	3,675	90%	90%	full	9,090	9,933	2,729	-2,691
OOO SCT Russia	4,228	50%	50%	equity method	6,736	1,192	0	-648
SECO/WARWICK GmbH	0	100%	100%	full	3,963	3,647	0	0
SECO/WARWICK Service GmbH	0	100%	100%	full	7,318	8,170	6,949	-203
SECO/WARWICK do Brasil	19,772	100%	100%	full	6,052	5,932	2,351	-1,833

Company	Carrying amount of shares as at Dec 31 2013	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
SECO/WARWICK EUROPE	70,414	100%	100%	full	214,787	96,634	224,213	22,199
SECO/WARWICK Corporation	21,806	100%	100%	full	54,189	47,185	94,213	-3,552
SECO/WARWICK Rus	172	100%	100%	full	4,354	4,858	12,223	-686
RETECH Systems LLC	50,863	100%	100%	full	73,896	20,488	160,299	12,510
SECO/WARWICK ALLIED	19,337	67%	67%	full	55,114	39,161	19,208	-4,267
SECO/WARWICK Retech	3,370	90%	90%	full	9,238	7,988	11,611	-4,340
OOO SCT Russia	4,228	50%	50%	equity method	7,555	747	0	-1,080
SECO/WARWICK GmbH	0	100%	100%	full	3,950	3,634	981	798
SECO/WARWICK Service GmbH	0	100%	100%	full	6,561	7,208	8,824	-1,497
SECO/WARWICK do Brasil	18,718	100%	100%	full	6,087	4,237	5,015	-955

Company	Carrying amount of shares as at Jun 30 2013	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/(loss)
SECO/WARWICK EUROPE	70,448	100%	100%	full	202,930	86,608	114,362	12,209
SECO/WARWICK Corporation	21,806	100%	100%	full	75,520	62,642	51,669	1,324
SECO/WARWICK Rus	172	100%	100%	full	3,997	4,240	6,344	-669
RETECH Systems LLC	50,863	100%	100%	full	94,564	41,374	84,999	7,270
SECO/WARWICK ALLIED	19,337	66.7%	66.7%	full	66,031	42,709	8,854	148
SECO/WARWICK Retech	3,370	90%	90%	full	13,218	8,959	4,465	-1,590
OOO SCT Russia	1,147	50%	50%	full	2,445	268	0	-1
SECO/WARWICK GmbH	0	100%	100%	full	3,503	4,029	0	-53
SECO/WARWICK Service GmbH	2,598	100%	100%	full	6,240	6,116	4,227	-719
SECO/WARWICK do Brasil Ind. de Fornos Ltda.	18,718	100%	100%	full	7,744	5,664	1,328	-489

Transactions involving shares which took place in H1 2014:

- Share capital increase at SECO/WARWICK Retech; a payment of USD 100 thousand (PLN 305.6 thousand) was made by SW S.A. on January 24th 2014
- Purchase of shares in SECO/WARWICK Allied; on June 4th 2014, conditions precedent were met for the acquisition of 9,122 shares and payment of the third instalment of the selling price, of INR 53,722,480 (PLN 2,760,261). Following acquisition of the 9,122 shares, SW S.A. holds 82,014 shares in SW Allied Private Limited, representing 75.0% of the company's share capital.

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4. IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Jun 30 2014	Dec 31 2013	Jun 30 2013
Trade receivables	859	834	834
Shares in SECO/WARWICK Tianjin	2,308	2,308	2,308
Inventories	901	567	567
Loans	821	821	821

5. INVENTORIES

Item	Jun 30 2014	Dec 31 2013	Jun 30 2013
Materials (at cost)	-	-	170
Semi-finished products and work in progress	-	-	1,942
Finished goods	-	-	-
Merchandise	-	-	-
Total inventories (carrying amount)	**-**	**-**	**2,112**
Write-downs of inventories	901	901	567
Gross inventories	**901**	**901**	**2,679**

CHANGE IN INVENTORY WRITE-DOWNS

Item	Jun 30 2014	Dec 31 2013	Jun 30 2013
Impairment losses as at beginning of the period	**901**	**567**	**567**
Increase, including:	**-**	**334**	**-**
- write-downs recognised in correspondence with other expenses	-	334	-
- transfers	-	-	-
Decrease, including:	**-**	**-**	**-**
- write-downs reversed in correspondence with other income	-	-	-
- write-downs used	-	-	-
- transfers	-	-	-
Write-downs of finished goods at end of the period	**901**	**901**	**567**

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

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

On March 31st 2014, the Company received a dividend of PLN 9,095.4 thousand from its wholly-owned subsidiary Retech Systems LLC.

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

7. LONG-TERM CONTRACTS

Given that SECO/WARWICK S.A.'s trading activities were transferred to SECO/WARWICK EUROPE Sp. z o.o. as of January 1st 2013, information on long-term contracts is presented in Note 12 to the consolidated financial statements.

8. INVESTMENT COMMITMENTS

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

9. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

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

10. EVENTS UNUSUAL DUE TO THEIR NATURE, SIZE OR INCIDENCE

No such events occurred.

11. MATERIAL EVENTS AFTER THE INTERIM PERIOD NOT REFLECTED IN THE FINANCIAL STATEMENTS

No such events occurred.

12. CHANGES IN FINANCIAL ASSETS AND LIABILITIES

Changes in contingent liabilities are discussed in Note 18 to the interim consolidated financial statements for H1 2014.

The Company had no contingent assets in H1 2014 or H1 2013.

13. RELATED-PARTY TRANSACTIONS

Related-party transactions are discussed in Note 21 to the interim consolidated financial statements for H1 2014.

Date: September 1st 2014

Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*