CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD **JANUARY 1ST–DECEMBER 31ST 2016**

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

	Note	Year ended Dec 31 2016	Year ended Dec 31 2015 (transformed)
Revenue from sale of finished goods		552,078	452,320
Revenue from sale of merchandise and materials		14,286	18,644
Revenue	1,2	**566,364**	**470,964**
Finished goods sold		-427,650	-360,763
Merchandise and materials sold		-10,670	-15,108
Cost of sales	3	**-438,319**	**-375,871**
Gross profit/(loss)		**128,045**	**95,093**
Other income	4	3,765	5,540
Distribution costs	3	-35,467	-34,674
Administrative expenses	3	-56,907	-54,213
Other expenses	4	-7,673	-51,342
Operating profit/(loss)		**31,762**	**-39,597**
Finance income	5	769	2,493
Finance costs	5	-13,655	-8,593
Share of net profit/(loss) of associates		-26	-200
Profit/(loss) before tax		**18,850**	**-45,898**
Actual tax expense	6	2,461	-5,112
Net profit/(loss) from continuing operations		21,311	-51,010
Profit/(loss) from discontinued operations		-1,667	-711
Net profit/(loss)		**19,644**	**-51,720**
Net profit/(loss) attributable to			
Owners of the Parent		**19,787**	**-49,675**
Non-controlling interests		-143	-2,045
EARNINGS/(LOSS) PER SHARE:	8		
- basic earnings/(loss) per share attributable to owners of the parent		1.86	-4.63
- diluted earnings/(loss) per share attributable to owners of the parent		1.86	-4.63
- basic earnings/(loss) per share from continuing operations, attributable to owners of the parent		2.01	-4.56
- diluted earnings/(loss) per share from continuing operations, attributable to owners of the parent		2.01	-4.56
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on a defined benefit pension plan		1 138	1,205
Income tax on other comprehensive income		-398	-422

Items that may be reclassified to profit or loss:		
Valuation of cash flow hedging derivatives	-522	-2,019
Exchange differences on translating foreign operations	6,106	12,382
Reclassification adjustments (increase in control of a subsidiary)	-	-
Income tax on other comprehensive income	99	384
Total other comprehensive income, net	**6,423**	**11,530**
Total comprehensive income	**26,067**	**-40,190**

Total comprehensive income attributable to		
Owners of the Parent	25,745	-38,292
Non-controlling interests	321	-1,898

Date: April 27th 2017

Piotr Walasek	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
Chief Financial Officer	*President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(PLN '000)

	Note	Dec 31 2016	Dec 31 2015
Non-current assets			
Property, plant and equipment	10	98,292	106,302
Investment property	12	381	379
Goodwill	13	43,004	40,195
Intangible assets	11	29,619	22,078
Investments in associates	15	-	1,484
Long-term receivables	18	5,567	1,336
Other financial assets	19	8,369	8,056
Deferred tax assets	6	5,821	2,506
		191,053	**182,335**
Current assets			
Inventories	16	39,377	34,730
Trade receivables	18	97,827	85,460
Income tax assets	18	7,300	7,459
Other short-term receivables	18	29,116	23,645
Cash and cash equivalents	21	41,147	58,054
Other financial assets	19	266	928
Other non-financial assets	20	5,972	3,969
Contract settlement	17	106,554	97,969
		327,560	**312,213**
ASSETS HELD FOR SALE	7	**104**	**-**
TOTAL ASSETS		**518,717**	**494,548**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(PLN '000)

	Note	Dec 31 2016	Dec 31 2015
Equity			
Share capital	22	3,616	3,704
Statutory reserve funds	22	182,429	190,271
Other components of equity	22	9,284	24,231
Hedging reserve	22	-2,313	-1,891
Retained earnings / accumulated losses	23	7,259	-40,735
Equity attributable to owners of the Parent		**200,275**	**175,580**
Non-controlling interests		**-544**	**450**
		199,731	**176,030**
Non-current liabilities			
Borrowings and other debt instruments	24	27,462	36,102
Other financial liabilities	24	2,561	3,107
Trade payables	26	244	-
Other non-current liabilities	26	185	177
Deferred tax liabilities	6	10,834	9,823
Provision for retirement and similar benefits	27	5,113	6,277
Other provisions	27	176	699
Deferred income	28	13,574	10,627
		60,149	**66,810**
Current liabilities			
Borrowings and other debt instruments	24	49,978	33,218
Other financial liabilities	24	7,014	4,038
Trade payables	26	67,712	53,899
Income tax payable	26	209	417
Taxes, customs duties and social security payable	26	6,839	7,631
Other current liabilities	26	6,256	6,900
Provision for retirement and similar benefits	27	11,584	11,890
Other provisions	27	6,214	9,363
Deferred income	28	1,015	581
Contract settlement	28	102,015	123,773
		258,836	**251,708**
TOTAL EQUITY AND LIABILITIES		**518,717**	**494,548**

Date: April 27th 2017

Piotr Walasek	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
Chief Financial Officer	*President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

CONSOLIDATED STATEMENT OF CASH FLOWS
(PLN ‘000)

	Note	Year ended Dec 31 2016	Year ended Dec 31 2015
OPERATING ACTIVITIES			
Profit/(loss) before tax		**18,850**	**-46,457**
Total adjustments:	29	**-25,008**	**99,996**
Share of net profit of associates		-3	244
Depreciation and amortisation		11,071	9,519
Foreign exchange gains/(losses)		1,185	1,371
Interest and profit distributions (dividends)		3,490	3,941
Gain/(loss) on investing activities		-1,877	-760
Balance-sheet valuation of derivative instruments		2,065	1,246
Change in provisions		-4,880	1,534
Change in inventories		-3,984	2,971
Change in receivables		-13,941	-17,185
Change in current liabilities (other than financial liabilities)		10,368	-480
Change in accruals, deferrals and contracts		-29,014	61,056
Other adjustments		511	36,537
Income tax paid/recovered		**-177**	-9,466
Net cash from operating activities		**-6,335**	**44,073**
INVESTING ACTIVITIES			
Cash provided by investing activities		**2,779**	**657**
Proceeds from disposal of intangible assets and property, plant and equipment		761	458
Proceeds from disposals of financial assets		581	-
Other inflows from financial assets		1,436	199
Cash used in investing activities		**14,960**	**24,722**
Investments in intangible assets, property, plant and equipment, and investment property		14,960	19,474
Acquisition of financial assets		-	5,248
Net cash from investing activities		**-12,182**	**-24,065**
FINANCING ACTIVITIES			
Cash provided by investing activities		**25,223**	**29,350**
Net proceeds from issue of equity interests (shares) or other equity instruments and contributions to equity		71	800
Borrowings and other debt instruments		25,152	28,550
Cash used in investing activities		**22,910**	**38,173**
Acquisition of own shares		-	**26,845**
Dividends and other distributions to owners		3,007	-
Repayment of borrowings and other debt instruments		15,867	6,934
Other financial liabilities		18	-

Payment of finance lease liabilities	581	515
Interest paid	3,437	3,879
Net cash from financing activities	**2,313**	**-8,823**
Total net cash	**-16,203**	**11,185**
Net change in cash, including:	**-19,222**	**11,321**
- effect of exchange rate fluctuations on cash held	-89	45
Cash at beginning of the period	**57,436**	**46,866**
Cash at end of period	**41,233**	**58,050**

Date: April 27th 2017

Piotr Walasek	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
Chief Financial Officer	*President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings/(deficit)	**Equity attributable to owners of the Parent**	Equity attributable to non-controlling interests	Total equity
Equity as at Jan 1 2016	**3,704**	**190,271**	**-1,891**	**24,231**	**21,388**	**-62,123**	**175,580**	**449**	**176,030**
Profit/(loss) for the period	-	-	-	-	-	19,787	**19,787**	-143	19,644
Other comprehensive income	-	-	-423	-	5,641	740	**5,958**	464	6,423
Total comprehensive income for the year	**-**	**-**	**-423**	**-**	**5,641**	**20,527**	**25,745**	**321**	**26,067**
Dividend	-	-	-	-	-	-3,007	-3,007		-3,007
Cancellation of treasury shares	-88	-	-	88	-	-	-	-	-
Disposal of own shares	-	-29	-	100	-	-	71	-	71
Management stock options	-	-	-	571	-	-	571	-	571
Transfer of retained earnings/deficit to statutory reserve funds	-	-23,519	-	-	-	23,519	-	-	-
Transfer from capital reserve to statutory reserve funds	-	15,705	-	-15,705	-	-	-	-	-
Accounting for increase of control at SWA	-	-	-	-	-	1,314	1,314	-1,314	-
Equity as at Dec 31 2016	**3,616**	**182,429**	**-2,313**	**9,284**	**27,029**	**-19,770**	**200,275**	**-544**	**199,731**
Equity as at Jan 1 2015	**3,704**	**174,617**	**-255**	**49,866**	**9,153**	**2,424**	**239,508**	**2,347**	**241,855**
Correction of previous years' errors	-	-	-	-	-	-	**-**	-	**-**
Equity as at Jan 1 2015	**3,704**	**174,617**	**-255**	**49,866**	**9,153**	**2,424**	**239,508**	**2,347**	**241,855**
Profit/(loss) for the period	-	-	-	-	-	-49,675	**-49,675**	-2,045	**-51,720**
Other comprehensive income	-	-	-1,635	-	12,235	783	**11,383**	147	**11,530**
Total comprehensive income for the year	-	-	**-1,635**	-	**12,235**	**-48,892**	**-38,292**	**-1,898**	**-40,190**
Management stock options	-	-	-	409	-	-	**409**	-	**409**
Transfer of retained earnings/deficit to statutory reserve funds	-	15,654	-	-	-	-15,654	**-**	-	-
Share buyback	-	-	-	-26,045	-	-	**-26,045**	-	**-26,045**
Equity as at Dec 31 2015	**3,704**	**190,271**	**-1,891**	**24,231**	**21,388**	**-62,123**	**175,580**	**449**	**176,030**

Date: April 27th 2017

Piotr Walasek	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
Chief Financial Officer	*President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31ST 2016

I. General information

1. Parent

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

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

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

64,20,Z	Activities of holding companies
25	Manufacture of fabricated metal products, except machinery and equipment
28	Manufacture of machinery and equipment n.e.c.
33	Repair, maintenance, and assembly of machinery and equipment
46	Wholesale trade, except of motor vehicles and motorcycles
49	Land transport and transport via pipelines
52	Warehousing and support activities for transportation
62	Computer programming, consultancy and related activities
71	Architectural and engineering activities; technical testing and analysis
72	Scientific research and development

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 a period of 27 years and SECO/WARWICK France established for a period of 15 years.

The financial statements of all subordinates have been prepared for the same period as the Parent's financial statements, using uniform accounting principles.

The financial year of the Parent and the Group companies is the calendar year.

The SECO/WARWICK Group is one of the world's leading producers of heat processing equipment, and a technological leader in its field. Thanks to its innovative R&D centre equipped with industrial furnaces and its cooperation with technical universities in Europe, the Group provides pioneering solutions unmatched by any other technology available in the world.

The SECO/WARWICK Group comprises fifteen companies based on three continents. The individual companies operate and implement technological processes for manufacturers involved with steel, titanium and aluminium production, aluminium recycling, forging, automotive, aerospace, commercial heat treating, HVAC/R, electronics, wind energy, medical equipment, nuclear and other industries.

3. Presented periods

These consolidated financial statements contain data for the period January 1st–December 31st 2016. The comparative data is presented as at December 31st 2015 in the case of the statement of financial position, and for the period from January 1st to December 31st 2015 in the case of the statement of comprehensive income, statement of cash flows, and statement of changes in equity.

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

As at December 31st 2016 and December 31st 2015, the composition of the SECO/WARWICK Management Board was as follows:

- Paweł Wyrzykowski – President of the Management Board
- Jarosław Talerzak – Vice President of the Management Board
- Wojciech Peret – Member of the Management Board

As at December 31st 2016, 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
- Marcin Murawski – Member of the Supervisory Board
- Paweł Tamborski – Member of the Supervisory Board

As at December 31st 2015, 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
- Marcin Murawski – Member of the Supervisory Board
- Gutmann Habig – Member of the Supervisory Board
- Witold Klinowski – Member of the Supervisory Board

Changes in the composition of the Supervisory Board:

On June 24th 2016, the Annual General Meeting of SECO/WARWICK S.A. removed Mr Gutmann Habig from his position of Member of the Supervisory Board by Resolution No. 28, with effect from June 24th 2016, and appointed Mr Paweł Tamborski as Member of the Supervisory Board by Resolution No. 29, with effect from June 24th 2016. Also on June 24th 2016, Mr Witold Klinowski tendered his resignation as member of the Supervisory Board, with effect from June 24th 2016. For details, see Current Report No. 22/2016.

5. Significant shareholders of the parent

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at December 31st 2016:

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	10.91%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,046,573	10.16%	1,046,573	10.16%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.19%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

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

SECO / WARWICK S.A. holds 598,500 treasury shares representing 5.81% of the share capital. The Company does not exercise voting rights in respect of its treasury shares.

6. Auditors

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa
Rondo ONZ 1
00-124 Warsaw, Poland

7. Subsidiaries

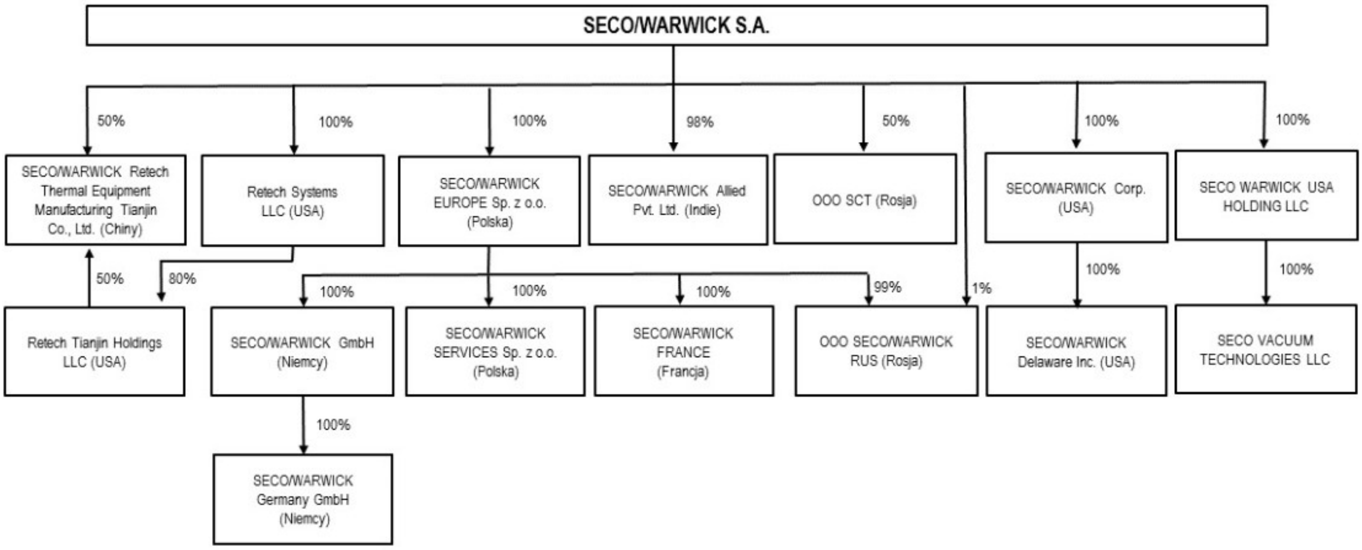
SECO/WARWICK S.A. is the parent of the following companies:

- SECO/WARWICK EUROPE Sp. z o.o.,
- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,
- SECO/WARWICK GmbH,
- SECO/WARWICK Germany GmbH,
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India,
- ALLIED FURNACES PVT. LTD.,
- SECO/WARWICK France,
- SECO/WARWICK Services Sp. z o.o.,
- SECO/WARWICK of Delaware, Inc.,
- Retech Tianjin Holdings LLC,
- SECO WARWICK USA HOLDING LLC,
- SECO VACUUM TECHNOLOGIES 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	**Year ended Dec 31 2016**	**Year ended Dec 31 2015**
Average exchange rate for the period*	4.3757	4.1848
Exchange rate effective for the last day of the period	4.4240	4.2615

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

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

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

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

Key consolidated financial data	2016	2015	2016	2015
	(PLN '000)		(EUR '000)	
Revenue	566,364	470,964	129,435	112,542
Cost of sales	-438,319	-375,871	-100,172	-89,818
Operating profit/(loss)	31,762	-39,597	7,259	-9,462
Profit/(loss) before tax	18,850	-45,898	4,308	-10,968
Net profit/(loss) attributable to owners of the parent	19,787	-49,675	4,522	-11,870
Net cash flows from operating activities	-6,335	44,073	-1,448	10,532
Net cash flows from investing activities	-12,182	-24,065	-2,784	-5,751
Net cash flows from financing activities	2,313	-8,823	529	-2,108
	Dec 31 2016	**Dec 31 2015**	**Dec 31 2016**	**Dec 31 2015**
Total assets	518,717	494,548	117,251	116,050
Total liabilities	318,985	318,519	72,103	74,743
including current liabilities	258,836	251,708	58,507	59,066
Equity	199,731	176,030	45,147	41,307
Share capital	3,616	3,704	817	869

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 (Dz.U. of 2014, item 133, as amended), the Management Board of the Parent represents that to the best of its knowledge these consolidated financial statements and the relevant comparative data have been prepared in compliance with the accounting standards applicable to the Group and give an accurate, fair and clear view of the Group's assets, financial condition and financial performance.

These 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 2014, item 133, as amended).

These financial statements cover the period from January 1st to December 31st 2016 and a comparative period from January 1st to December 31st 2015.

The Management Board represents that the auditor of these consolidated financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the audit met the conditions required to issue an impartial and independent auditor's opinion, in accordance with the applicable provisions of Polish law. In accordance with Art. 29.1.6 of the Articles of Association, the Supervisory Board appointed the auditor by Resolution No. 12/2016 of April 28th 2016 on appointment of an 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 of the financial statements

The Parent's Management Board authorised these consolidated financial statements for issue on April 27th 2017.

Date: April 27th 2017

Piotr Walasek	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
Chief Financial Officer	*President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

V. Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Union. As at the date of authorisation of these financial statements for issue, 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").

VI. Going concern assumption and comparability of accounts

These consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. December 31st 2016. 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.

By the date of these consolidated financial statements for 2016, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. In these financial statements no material events related to prior years are disclosed.

VII. Basis of consolidation

These consolidated financial statements include the Company's financial statements and the financial statements of the entities controlled by the Company and its subsidiaries.

a) Subsidiaries

An entity is the Group's subsidiary if the Group has:

- power over the entity,

- exposure, or rights, to its variable returns,

- the ability to use its power over the entity to affect the amount of its own returns.

The acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

a) the aggregate of:

(i) the consideration transferred measured in accordance with IFRS 3, which generally requires acquisition-date fair value,

(ii) the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3, and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

Following initial recognition, goodwill is recognised at cost less any cumulative impairment losses. Goodwill is not amortised.

Non-controlling interests are recognised at the fair value of net assets attributable to such interests. 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. Subsidiaries sold during a financial year are consolidated from the beginning of the financial year to the date of disposal. Financial results of entities acquired during a year are recognised in the financial statements from the date of acquisition.

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) Equity and transactions related to non-controlling shareholders

Interests held by non-controlling shareholders include interests in consolidated companies which are not owned by the Group. Equity held by non-controlling shareholders is determined as the value of net assets of the related entity which are attributable, as at the acquisition date, to shareholders from outside the group. The value is reduced/increased by increases/decreases in equity attributable to the value of interests held by non-controlling shareholders.

c) Associates

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

The Group's share in an associate's net profit/(loss) is recognised in the statement of comprehensive income, 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 consolidated financial statements for the periods ended December 31st 2016 and December 31st 2015:

Item	% of total vote	
	Dec 31 2016	Dec 31 2015
SECO/WARWICK S.A.	Parent	
SECO/WARWICK EUROPE Sp. z o.o.	100%	100%
SECO/WARWICK Corp.	100%	100%
SECO/WARWICK Rus	100%	100%
Retech Systems LLC	100%	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	90%	90%
SECO/WARWICK GmbH	100%	100%
SECO/WARWICK Germany GmbH	100%	100%
SECO/WARWICK Allied Pvt., Ltd.	98%	75%
ALLIED FURNACES PVT. LTD.,	98%	75%
SECO/WARWICK do Brasil Ind. de Fornos Ltda.,	-	100%
SECO/WARWICK France	100%	100%
SECO/WARWICK Services Sp. z o.o.	100%	100%
SECO/WARWICK of Delaware, Inc	100%	100%
Retech Tianjin Holdings LLC	80%	80%
SECO WARWICK USA HOLDING LLC	100%	-
SECO VACUUM TECHNOLOGIES LLC	100%	-
OOO SCT	50%	50%

VIII. Applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the principal (or most advantageous) market at the measurement date under current market conditions, irrespective of whether the price is directly observable or measured using another valuation technique. When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement

date. The methods described above are used for the purpose of fair value measurement and/or disclosure of information in the Group's consolidated financial statements, except for share-based payments, which fall within the scope of IFRS 2, lease transactions, which fall within the scope of IAS 17, and except for measurements which show certain similarities with fair value, but are not fair value, such as net realisable value under IAS 2 or value in use under IAS 36.

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

Presentation of financial statements

Presentation of the statement of financial position

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

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

Presentation of the statement of comprehensive income

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

Earnings per share

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

Intangible assets

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

Intangible assets include mainly software and development expense, and are initially measured at cost, which comprises the purchase price of an asset, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

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

Item	Capitalised development costs	Patents and licences	Software
Useful life	5–20 years	5–10 years	5–15 years
Amortisation method	Amortised using straight-line method after completion of work	Amortised over agreement term using straight-line method	Amortised using straight-line method
Origin	Generated	Acquired	Acquired
Impairment testing/measuring recoverable amount	Annual usability testing	Annual impairment testing	Annual impairment testing

Property, plant and equipment

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

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

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

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

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

Any gains and losses arising on sale or liquidation of an asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, and are recognised in profit or loss.

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

Tangible assets under construction

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

Investment property

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

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

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

Financial assets and liabilities

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

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

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

Recognition and measurement of financial assets

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

Investments in subsidiary, jointly-controlled and associated entities

Investments in subsidiary, jointly-controlled and associated entities are stated at historical cost after impairments.

Borrowings

Borrowings are recognized and accounted for at amounts originally determined in the loan agreement, including revaluation write-downs.

Receivables

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

If the effect of the time value of money is material, the value of a receivable is determined by discounting the projected future cash flows to their present value using a discount rate that reflects the current market estimates of the time value of money. Where discounting is used, the amount of receivables increases to reflect the passage of time. The increase is recognised as finance income.

Other receivables include in particular prepayments made in connection with planned purchases of property, plant and equipment, intangible assets and inventories.

Cash and cash equivalents

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

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

Recognition and measurement of financial liabilities

Liabilities under borrowings and other 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.

Trade payables

Short-term trade payables are stated at the amount payable.

Hedge accounting

There are three types of hedging relationships:

a) a fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability or highly probable future liability that is attributable to a particular risk and could affect the statement of comprehensive income;

b) a cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income;

c) a hedge of a net investment in a foreign operation as defined in IAS 21.

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

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument, can be reliably measured.

e) The hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Inventories

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

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

Deferred income tax

Deferred income tax is recognised for all temporary differences between the carrying amounts of assets and liabilities disclosed in the consolidated financial statements and their tax values, as well as for any unused tax loss carry-forwards and unused tax credits. Deferred tax liabilities are substantially recognised in relation to all taxable temporary differences. Deferred tax assets are recognised in relation to all deductible temporary differences to the extent it is probable that in the foreseeable future taxable income will be generated which will enable the deductible temporary differences to be offset. Deferred tax assets and liabilities are not recognised if the temporary differences arise in relation to goodwill or on the initial recognition of other assets and liabilities in a transaction which is not a business combination and affects neither tax nor accounting profit. In addition, no deferred tax is recognised if the temporary differences arise on initial recognition of goodwill. A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except to the extent that the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets attributable to deductible temporary differences

associated with such investments and interests are recognised only to the extent it is probable that taxable income will be generated which will enable the tax assets to be utilised and to the extent it is probable that the temporary differences will reverse in the foreseeable future.
The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the expenditures required to settle a provision are expected to be reimbursed, for instance under an insurance policy, the reimbursement is recognised as a separate asset, but only if it is virtually certain that the reimbursement will be received.

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

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

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

The Group recognises the following provisions:

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

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

Accruals and deferred income

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

Accrued expenses

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

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

Deferred and accrued income

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

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

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

Revenue

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

Functional currency and presentation currency

a) Functional currency and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions, as well as from changes in the carrying amounts of monetary assets and liabilities expressed in foreign currencies are recognised in the statement of profit or loss.

IX. Material judgements and estimates

In view of the fact that many items presented in the consolidated financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the consolidated financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2016 may change in the future.

Depreciation/amortisation charges

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

Depreciation/amortisation charges for assets used under finance lease agreements

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

Deferred tax assets

Deferred tax assets are recognised in respect of all unused tax losses to be deducted in the future to the extent it is probable that taxable profit will be available which will enable these losses to be utilised. Note 6.

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. Note 27.

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. Note 27.

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. Note 27.

Long-term contracts

To account for long-term contracts, the Group applies the provisions of IAS 11 *Construction Contracts*. When the outcome of a construction contract can be estimated reliably, the percentage of completion method is used. The percentage of completion is determined by reference to costs incurred to date in comparison with total contract costs determined in accordance with the Group's best estimate.

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

The amount of such a loss is determined irrespective of: whether or not work has commenced on the contract, the stage of completion of contract activity, or the amount of profits expected to arise on other contracts which are not treated as single construction contracts in accordance with IAS 11:9. Note 17.

The Group applies the above rules to settle commercial contracts related to the Group's principal operating activities whose performance terms exceed three months and whose total value is material from the point of view of reliability of the financial statements (revenue, expenses, and the financial result). The Company accrues only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted to account for any subsequent amendments to the original contract (annexes). Any changes of the contract revenue are taken into account if it is certain (i.e. a contract or annexes to a contract have been signed) or at least highly probable (i.e. annexes to a contract or preliminary contracts have been initialled) that the client will accept the amendments and the revenue amounts provided for in the amendments, and such revenue can be reliably measured.

The stage of completion of a contract is determined by reference to the contract costs actually incurred in the reporting period and documented by appropriate accounting evidence, and the costs of trading partners not yet invoiced.

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

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

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

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

Subjective judgement

Where a given transaction does not fall within the scope of any standard or interpretation, the Management Board relies on its subjective judgement to determine and apply accounting policies which will ensure that the financial statements contain only relevant and reliable information. Within the period covered by these financial statements, no transactions were identified whose recognition would require the application of the Management Board's subjective judgement as defined above.

X. Changes in accounting policies

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2015, except for the below amendments. These changes were applied in the attached consolidated financial statements on their effective date and had no significant impact on the disclosed financial information, did not apply to the the Company's transactions, or the Company decided not to apply a newly introduced approach or model.

- Amendments arising from IFRS Improvements, 2010-2012 Cycle, including amendments to IFRS 2 Share-Based Payment, amendments to IFRS 3 Business Combinations, amendments to IFRS 8 Operating Segments, amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets, amendments to IFRS 13 Fair Value Measurement, amendments to IAS 24 Related Party Disclosures, amendments to IFRS 7 Financial Instruments: Disclosures and amendments to IAS 19 Employee Benefits
- Amendments arising from IFRS Improvements, 2012-2014 Cycle, including amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, amendments to IAS 34 Interim Financial Reporting
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The Group did not elect to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective as not yet endorsed by the European Union.

XI. New standards and interpretations issued but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but are not yet effective:

- IFRS 9 *Financial Instruments* (issued on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016; pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the

publication of its final version − not yet endorsed by the EU as at the date of authorisation of these financial statements;

- IFRS 15 *Revenue from Contracts with Customers* (issued on May 28th 2014) − effective for annual periods beginning on or after January 1st 2018 − including amendments to IFRS 15 *Effective Date of IFRS 15* (issued on September 11th 2015);
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets* between an Investor and its Associate or Joint Venture (issued on September 11th 2014) − work on endorsing the amendments has been deferred indefinitely by the EU − effective date deferred indefinitely by the IASB;
- IFRS 16 *Leases* (issued on January 13th 2016) – effective for annual periods beginning on or after January 1st 2019 − not yet endorsed by the EU as at the date of authorisation of these financial statements for issue,
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on September 12th 2016) − effective for annual periods beginning on or after January 1st 2018 − not yet endorsed by the EU by the date of authorisation of these financial statements;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on January 19th 2016) − effective for annual periods beginning on or after January 1st 2017 − not yet endorsed by the EU by the date of authorisation of these financial statements;
- Amendments to IAS 7 *Disclosure Initiative* (issued on January 29th 2016) − effective for annual periods beginning on or after January 1st 2017 − not yet endorsed by the EU by the date of authorisation of these financial statements;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on April 12th 2016) – effective for annual periods beginning on or after January 1st 2018 – not yet endorsed by the EU by the date of authorisation of these financial statements;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on June 20th 2016) − effective for annual periods beginning on or after January 1st 2018 − not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IFRS introduced following the Annual Improvements to IFRS 2014–2016 Cycle (issued on December 8th 2016) – Amendments to IFRS 12 effective for annual periods beginning on or after January 1st 2017, while Amendments to IFRS 1 and IAS 28 effective for annual periods beginning on or after January 1st 2018 – not endorsed by the EU by the date of authorisation of these financial statements for issue;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018 – not endorsed by the EU by the date of authorisation of these financial statements for issue;
- Amendments to IAS 40 *Transfer of Investment Property* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018 – not endorsed by the EU by the date of authorisation of these financial statements for issue.

The Management Board is currently analysing the potential effect of those amendments on the accounting policies applied by the Group. However, the Management Board does not expect the implementation of these standards to have a material effect on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

DECEMBER 31ST 2016

Note 1. REVENUE

Revenue from sales and total revenue and income of the Group:

Item	2016	2015 (transformed)
Sale of finished goods	552,078	452,320
Sales of merchandise and materials	14,286	18,644
TOTAL sales revenue	**566,364**	**470,964**
Other income	3,765	5,540
Finance income	769	2,493
TOTAL revenue and income	**570,898**	**478,996**

Note 2. OPERATING SEGMENTS

The Group's core business consists in manufacture of five key groups of products: vacuum furnaces, aluminium heat exchanger brazing systems, aluminium heat treatment systems and metallurgy equipment used for melting and vacuum casting of metals and specialty alloys. Also, in accordance with the Company's management accounts, a separate aftersales segment has been established. The SECO/WARWICK Group's operations are divided into five core business segments corresponding to the product groups:

Vacuum furnaces (Vacuum)

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces may be used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing.

Melting furnaces

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

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

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

Aluminium heat exchanger brazing systems (CAB)

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

Thermal

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

Aluminium heat treatment systems (Aluminium Process)

The Aluminium Process solutions offered by the Group are used in the production of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. In addition, the Aluminium Process systems are used to heat treat aluminium castings.

Aftersales

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

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.

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 – 2016

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Melting Furnaces	Thermal	CAB	Aluminium Process	Aftersales	Total			
Total segment revenue	**117,111**	**176,983**	**52,791**	**32,017**	**93,768**	**90,888**	**563,558**	**-**	**2,806**	**566,364**
Sales to customers accounting for 10% or more of revenue	-	69,317	-	-	-	-	69,317	-	-	69,317
Total segment expenses	**-83,832**	**-148,686**	**-44,738**	**-23,579**	**-75,565**	**-58,801**	**-435,200**		**-3,119**	**-438,319**
Gross profit/(loss)	**33,279**	**28,297**	**8,053**	**8,439**	**18,203**	**32,088**	**128,358**		**-313**	**128,045**
Distribution costs	-	-	-	-	-		-	-	-35,467	**-35,467**
Administrative expenses	-	-	-	-	-		-	-	-56,907	**-56,907**
Operating income	-	-	-	-	-		-	-	3,765	**3,765**
Operating expenses	-	-	-	-	-		-	-	-7,673	**-7,673**
Segment profit/(loss) on operating activities	-	-	-	-	-		-	-	31,762	**31,762**
Finance income	-	-	-	-	-		-	-	769	**769**
Finance costs	-	-	-	-	-		-	-	-13,655	**-13,655**
Share in profit of associate	-	-	-	-	-		-	-	-26	**-26**
Profit before tax	-	-	-	-	-		-	-	18,850	**18,850**
Actual tax expense	-	-	-	-	-		-	-	2,461	**2,461**
Profit/(loss) from continuing operations	-	-	-	-	-		-	-	21,311	**21,311**
Profit/(loss) from discontinued operations	-	-	-	-	-		-	-	-1,667	**-1,667**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-		-	-	-143	**-143**
Net profit/(loss) for period	-	-	-	-	-		-	-	19,787	**19,787**

OPERATING SEGMENTS – 2015

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Melting Furnaces	Thermal	CAB	Aluminium Process	Aftersales	Total			
Total segment revenue	**104,390**	**133,373**	**60,248**	**40,605**	**39,813**	**84,586**	**463,016**	**-**	**7,948**	**470,964**
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
Total segment expenses	**-84,588**	**-116,846**	**-52,012**	**-29,881**	**-33,023**	**-55,657**	**-372,007**		**-3,864**	**-375,871**
Gross profit/(loss)	**19,802**	**16,527**	**8,237**	**10,724**	**6,791**	**28,928**	**91,009**		**4,084**	**95,093**
Distribution costs	-	-	-	-	-		-	-	-34,674	**-34,674**
Administrative expenses	-	-	-	-	-		-	-	-54,213	**-54,213**
Operating income	-	-	-	-	-		-	-	5,540	**5,540**
Operating expenses	-	-	-	-	-		-	-	-51,342	**-51,342**
Segment profit/(loss) on operating activities	-	-	-	-	-		-	-	-39,597	**-39,597**
Finance income	-	-	-	-	-		-	-	2,493	**2,493**
Finance costs	-	-	-	-	-		-	-	-8,593	**-8,593**
Share in profit of associate	-	-	-	-	-		-	-	-200	**-200**
Profit before tax	-	-	-	-	-		-	-	-45,898	**-45,898**
Actual tax expense	-	-	-	-	-		-	-	-5,112	**-5,112**
Profit/(loss) from continuing operations	-	-	-	-	-		-	-	-51,010	**-51,010**
Loss of control	-	-	-	-	-		-	-	-711	**-711**
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-		-	-	-2,045	**-2,045**
Net profit/(loss) for period	-	-	-	-	-		-	-	-49,675	**-49,675**

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Depreciation and amortisation	11,071	9,110
Raw materials and consumables used	254,618	197,797
Services	95,961	53,525
Taxes and charges	2,735	11,795
Salaries and wages	111,185	106,477
Social security and other benefits	26,376	25,114
Defined benefit plan	319	765
Management stock options	571	409
Other costs	53,978	60,603
Total operating expenses, including:	**556,814**	**465,596**
Distribution costs	-35,467	-34,674
Administrative expenses	-56,907	-54,213
Change in products	-15,986	9,858
Work performed by entity and capitalised	-10,135	-10,696
Merchandise and materials sold	-10,670	-15,108
Cost of products sold and services rendered	**427,650**	**360,763**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Items recognised in cost of sales	**6,724**	**5,929**
Depreciation of property, plant and equipment	6,415	5,683
Amortisation of intangible assets	309	246
Items recognised in distribution costs	**1,995**	**959**
Depreciation of property, plant and equipment	1,355	508
Amortisation of intangible assets	640	451
Items recognised in administrative expenses:	**2,342**	**2,212**
Depreciation of property, plant and equipment	1,082	1,151
Amortisation of intangible assets	1,259	1,061
Items recognised in other expenses:	**10**	**10**
Depreciation of investment property	10	10

EMPLOYEE BENEFITS EXPENSE

PERSONNEL COSTS	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Salaries and wages	111,185	106,481
Social security and other benefits	25,947	24,581
Defined benefit pension plan at SWC	319	765
Retirement benefits	376	313
Other post-employment benefits	-	-
Share-based payment scheme	-	-

Other employee benefits	53	216
Total employee benefits expense, including:	**137,880**	**132,356**
Items recognised in cost of sales	93,962	86,886
Items recognised in distribution costs	19,914	19,232
Items recognised in administrative expenses:	24,004	26,238

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Reversal of impairment losses on receivables	-	1,110
Reversal of provisions	-	570
Gain on disposal of property, plant and equipment	55	42
Penalties and compensation/damages received	88	449
Income from lease of tangible assets and investment property	1,799	1,886
Grant for development work	1,011	279
Other	811	1,203
Total other income	**3,765**	**5,540**

OTHER EXPENSES	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Impairment losses on receivables	670	10,694
Revaluation of inventories	2,197	175
Loss on disposal of property, plant and equipment	324	76
Court expenses, compensation/damages, penalties	925	32
Revaluation of tangible asset	75	865
Cost of lease of tangible assets	1,126	1,078
Cost of discontinued production	-	1,396
Services purchase cost for re-invoicing	-	294
Donations	341	303
Goodwill write-off	-	35,868
Liquidation of property, plant and equipment	1,051	-
Other	965	564
Total other expenses	**7,673**	**51,342**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Interest income	769	1,826
Net foreign exchange gains	-	589
Other	-	78
Total finance income	**769**	**2,493**

FINANCE COSTS	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Interest paid	4,152	4,462
Loss on derivative instruments at maturity	3,683	2,372
Valuation of derivative instruments	1,522	1,246
Net foreign exchange losses	2,085	-
Impairment losses on equity interests- OOO SCT	1,881	-
Other	331	513
Total finance costs	**13,655**	**8,593**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2016 and December 31st 2015 were as follows:

INCOME TAX DISCLOSED IN PROFIT OR LOSS	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015 (transformed)
Current income tax	**574**	**5,870**
Current income tax expense	1,992	5,870
Adjustments to current income tax for previous years	-1,421	**-**
Deferred income tax	**-3,035**	**-758**
Related to temporary differences and their reversal	-3,035	-758
Related to reduction of income tax rates	-	-
Income tax benefit arising from transactions involving items of equity	-	-
Tax expense recognised in profit or loss	**-2,461**	**5,112**

Deferred income tax disclosed in the income statement is equal to the difference between the balances of deferred tax liabilities and deferred tax assets as at the end and as at the beginning of the reporting periods, excluding items charged or credited to equity.

Item	Dec 31 2016		Dec 31 2015	
	carrying amount	*amount recognised in profit or loss*	*carrying amount*	*amount recognised in profit or loss*
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	10,489	1,102	12,890	1,904
Finance leases	198	-84	282	52
Other	384	250	-	-
Foreign exchange gains	216	-138	354	6
Adjustments to long-term contracts	7,048	3,696	5,372	-2,142
Valuation of financial assets	-	-	450	-131
Forward transactions	40	-26	43	-72
Deferred tax liability for the acquisition of RETECH	11,798	-	9,462	7,485
Deferred tax liabilities	**30,174**	**4,801**	**28,853**	**7,102**

Deferred tax assets				
Provision for disability severance payments and retirement bonuses	117	-	3,952	386
Provision for length-of-service awards and bonuses	759	53	705	18
Provision for accrued holiday entitlements	744	25	911	-323
Provision for losses on contracts	847	259	2,705	912
Provision for warranty repairs	15	-8	23	-70
Provision for other employee benefits	-	-	433	392
Other provisions	1,026	230	1,161	-982
Losses deductible from future taxable income	9,907	6,406	3,406	-136
Assets under long-term contracts	6,369	-782	7,151	882
Foreign exchange losses	241	-144	414	-137
Settlement of grant	883	309	574	-21
Other	523	1,429	-2,432	-3,517
Valuation of financial instruments	1,306	270	-285	302
Salaries, wages and social security contributions payable in subsequent periods	133	-120	253	29
Lease liabilities	525	154	370	109
Write-downs of inventories	271	-	931	77
Impairment losses on receivables	1,496	-300	1,795	1,197
Impairment losses on investment	-	-	123	6,510
Deferred tax assets	**25,161**	**7,836**	**22,191**	**5,629**

Item	**Dec 31 2016**		**Dec 31 2015**	
	carrying amount	**amount recognised in equity**	**carrying amount**	**amount recognised in equity**
Valuation of hedging instruments	706	270	-285	302
Deferred tax assets	**706**	**270**	**-285**	**302**

Item	**Dec 31 2016**		**Dec 31 2015**	
	carrying amount	**amount recognised in equity**	**carrying amount**	**amount recognised in equity**
Valuation of hedging instruments	11	-26	43	-72
Deferred tax liabilities	**11**	**-26**	**43**	**-72**

Note 7. ASSETS HELD FOR SALE

Held-for-sale assets are presented by the Company as a separate item of assets. As at December 31st 2016, the Group carried assets held for sale – a part of land owned by SECO/WARWICK Allied of India, worth PLN 104 thousand. As at December 31st 2015, the Group had no assets held for sale.

Note 8. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the net profit for a given period attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible 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	Dec 31 2016	Dec 31 2015 (transformed)
Net profit/(loss) from continuing operations attributable to shareholders	21,454	-48,965
Loss from discontinued operations attributable to shareholders	-1,667	-711
Net profit/(loss) attributable to owners of the parent	19,787	-49,675
Interest on redeemable preference shares convertible into ordinary shares	-	-
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	**19,787**	**-49,675**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,660,812	10,734,679
Earnings per share	**1.86**	**-4.63**
Dilutive effect:		
Number of potential subscription warrants	-	-
Number of potential shares issued at market price	-	-
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,660,812	10,734,679
Diluted earnings per share	**1.86**	**-4.63**

Note 9. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

On June 24th 2016, the Annual General Meeting of SECO/WARWICK S.A. passed Resolution No. 22 approving payment of PLN 3,007,016.74 (three million, seven thousand, sixteen złoty, 74/100) as dividend for 2015. Dividend per share was PLN 0.31. The dividend record date and the dividend payment date were July 4th 2016 and July 18th 2016, respectively.

Note 10. PROPERTY, PLANT AND EQUIPMENT

Item	Dec 31 2016	Dec 31 2015
Tangible assets	95,554	96,104
Tangible assets under construction	2,738	10,197
Prepayments for tangible assets under construction	-	-
Property, plant and equipment	**98,292**	**106,301**

OWNERSHIP STRUCTURE – net value	Dec 31 2016	Dec 31 2015
Owned	**95,549**	**104,447**
Used under lease, tenancy or similar contract	2,743	1,855
Total	**98,292**	**106,301**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2016

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2016	**8,136**	**56,196**	**57,546**	**10,530**	**8,462**	**140,870**
Increase, including:	**-**	**4,520**	**5,372**	**2,027**	**499**	**12,419**
acquisitions	-	4,520	5,372	289	418	10,599
concluded lease agreements	-	-	-	1,738	-	1,738
other	-	-	-	-	81	81
Decrease, including:	**672**	**4,465**	**2,339**	**2,102**	**943**	**10,521**
disposal	464	-	-	887	60	1,411
liquidation	-	171	1,488	785	156	2,599
sales of SW Brasil	-	4,294	778	337	646	6,160
reclassification – assets held for sale	104	-	-	-	-	-
other	104	-	74	92	81	351
Gross carrying amount as at Dec 31 2016	**7,464**	**56,251**	**60,578**	**10,456**	**8,018**	**142,768**
Cumulative amortisation as at Jan 1 2016	**-**	**12,230**	**27,419**	**6,415**	**5,179**	**51,243**
Increase, including:	**-**	**1,668**	**5,126**	**1,270**	**797**	**8,861**
amortisation	-	1,668	5,126	1,270	797	8,861
Decrease, including:	**-**	**691**	**2,005**	**1,441**	**340**	**4,478**
sale	-	-	496	838	1	1,335
liquidation	-	139	455	290	81	964
revaluation	-	-	46	-	61	107
sales of SW Brasil	-	553	1,008	313	198	2,072
Cumulative amortisation as at Dec 31 2016	**-**	**13,206**	**30,541**	**6,243**	**5,636**	**55,626**
Impairment losses as at Jan 1 2016	**-**	**-**	**526**	**13**	**345**	**884**
Increase, including:	**-**	**1,422**	**115**	**3**	-	**1,540**
impairment	-	1,422	115	3	-	1,540
Decrease, including:	**-**	**-**	**-,364**	**13**	**345**	**-6**
sales of SW Brasil	-	-	-364	13	345	-6
Impairment losses as at Dec 31 2016	**-**	**1,422**	**1,005**	**3**	**-**	**2,429**
Net exchange differences on translating financial statements into presentation currency	2,058	4,825	3,125	303	531	10,842
Net carrying amount as at Dec 31 2016	**9,522**	**46,448**	**32,158**	**4,513**	**2,913**	**95,554**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2015

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2015	**8,136**	**54,255**	**41,894**	**9,882**	**7,881**	**122,048**
Increase, including:	**-**	**1,941**	**16,314**	**1,682**	**615**	**20,553**
acquisitions	-	1,779	16,314	523	615	19,231
generated internally	-	162	-	-	-	162
concluded lease agreements	-	-	-	1,160	-	1,160
Decrease, including:	**-**	**-**	**663**	**1,034**	**33**	**1,730**
disposal	-	-	512	687	19	1,218
liquidation	-	-	151	268	14	433
Other	-	-	-	79	-	79
Gross carrying amount as at Dec 31 2015	**8,136**	**56,196**	**57,546**	**10,530**	**8,462**	**140,870**
Cumulative amortisation as at Jan 1 2015	**-**	**10,712**	**24,006**	**5,711**	**4,265**	**44,694**
Increase, including:	**-**	**1,517**	**3,868**	**1,309**	**938**	**7,632**
depreciation	-	1,517	3,868	1,309	938	7,632
Decrease, including:	**-**	**-**	**454**	**605**	**24**	**1,083**
sale	-	-	307	507	19	833
liquidation	-	-	147	98	4	249
Cumulative depreciation as at Dec 31 2015	**-**	**12,230**	**27,419**	**6,415**	**5,179**	**51,243**
Impairment losses as at Jan 1 2015	**-**	**-**	**-364**	**13**	**345**	**-6**
Increase, including:	**-**	**-**	**890**	**-**	-	**890**
impairment	-	-	890	-	-	890
Impairment losses as at Dec 31 2015	-	**-**	**526**	**13**	**345**	**884**
net exchange differences on translating financial statements into presentation currency	1,560	2,999	2,104	244	454	7,361
Net carrying amount as at Dec 31 2015	**9,696**	**46,965**	**31,704**	**4,346**	**3,392**	**96,104**

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2016	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2016*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
10,198	**4,948**	4,357	4,898	1891	573	689	**2,738**

Tangible assets under construction as at Jan 1 2015	Expenditure incurred in the financial year	Accounting for the expenditure					As at Dec 31 2015
		Buildings, premises and civil engineering structures	Machinery and equipment	Vehicles	Other	Intangible assets	
11,042	**18,577**	1,776	14,183	983	454	2,025	**10,198**

On May 22nd 2013, SECO/WARWICK S.A. executed a USD 3,000 (PLN 12,538) thousand investment credit agreement with Bank Handlowy of Warsaw. The facility is to finance the acquisition of shares in Engefor Engenharia Industria e Comercio Ltda.

It is secured by a mortgage of up to USD 3,750 thousand created on the perpetual usufruct right to a property situated at ul. Świerczewskiego in Świebodzin and the related ownership title to a building, held by SECO/WARWICK EUROPE Sp. z o.o., with its registered office at ul. Świerczewskiego 76, Świebodzin, Poland, and entered into the Land and Mortgage Register under No. ZG1S/00010363/4.

On February 3rd 2015, SECO/WARWICK S.A. executed a PLN 41,250,000 investment credit agreement with mBank S.A. of Warsaw. The facility was contracted to finance the repurchase of up to 1,500,000 Company's own shares under the share buyback programme established pursuant to resolution No. 5 of the Company's Extraordinary General Meeting of October 30th 2014. As at December 31st 2016, the total amount drawn under the facility was PLN 20,524,575.00.

The borrowing was secured with a contractual mortgage created over a property owned by the State Treasury and comprising the following lots:

- Nos. 94/6, 951/1, 951/2, situated at ul. Sobieskiego 8, Świebodzin
- No. 95/7, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/94, situated at ul. Świerczewskiego 76, Świebodzin
- Nos. 94/16, 94/22, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/4, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/19, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/25, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/80, situated at ul. Świerczewskiego 76, Świebodzin
- No. 94/14, situated at ul. Sobieskiego 8, Świebodzin

Tangible assets under lease agreements

Tangible assets	Dec 31 2016			Dec 31 2015		
	Gross amount	Depreciation	Net amount	Gross amount	Depreciation	Net amount
Real property	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-
Vehicles	4,080	1,337	2,743	2,596	742	1,855
Other tangible assets	-	-	-	-	-	-
Total	**4,080**	**1,337**	**2,743**	**2,596**	**742**	**1,855**

As at December 31st 2016 and December 31st 2015, the Group had no finance leases or lease agreements with a purchase option for machinery and equipment.

Note 11. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2016	Dec 31 2015
Owned	29,619	22,078
Used under lease, tenancy or similar contract	-	-
Total	**29,619**	**22,078**

Changes in intangible assets (by type) in the period January 1st–December 31st 2016

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2016	**8,845**	**18,784**	**5,084**	**32,713**
Increase, including:	**713**	**9,174**	**14**	**9,901**
acquisitions	690	9,174	14	9,878
other	23	-	-	23
Decrease, including:	**1,913**	**3**	**5**	**1,921**
liquidation	1,907	3	5	1,915
sales of SW Brasil	6	-	-	6
Gross carrying amount as at Dec 31 2016	**7,646**	**27,955**	**5,093**	**40,693**
Cumulative amortisation as at Jan 1 2016	**5,838**	**3,048**	**1,985**	**10,870**
Increase, including:	**309**	**1,186**	**559**	**2,055**
amortisation	287	1,186	559	2,032
other	23	-	-	23
Decrease, including:	**1,760**	**1**	**4**	**1,765**
liquidation	1,760	1	4	1,765
Cumulative amortisation as at Dec 31 2016	**4,387**	**4,233**	**2,540**	**11,159**
Impairment losses as at Jan 1 2016	-	-	-	-
Increase:	-	-	-	-
Decrease:	-	-	-	-
Impairment losses as at Dec 31 2016	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	79	7	-	86
Net carrying amount as at Dec 31 2016	**3,338**	**23,729**	**2,553**	**29,619**

Changes in intangible assets (by type) in the period January 1st–December 31st 2015

Item	*Patents and licences, software*	*Development expense*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2015	**7,248**	**19,154**	**5,040**	**31,442**
Increase, including:	**1,597**	**2,672**	**44**	**4,313**
acquisitions	1,597	855	31	2,483
Other	-	1,817	13	1,830
Decrease, including:	**-**	**3,042**	**-**	**3,042**
Other	-	3,042	-	3,042
Gross carrying amount as at Dec 31 2015	**8,845**	**18,784**	**5,084**	**32,713**
Cumulative amortisation as at Jan 1 2015	**5,397**	**2,222**	**1,372**	**8,991**
Increase, including:	**440**	**826**	**613**	**1,879**
amortisation	243	826	613	1,681
Other	197	-	-	197
Decrease, including:	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**
Cumulative amortisation as at Dec 31 2015	**5,838**	**3,048**	**1,985**	**10,870**
Impairment losses as at Jan 1 2015	-	-	-	-
Increase:	-	-	-	-
Decrease:	-	-	-	-
Impairment losses as at Dec 31 2015	-	-	-	-
Net exchange differences on translating financial statements into presentation currency	227	7	-	234
Net carrying amount as at Dec 31 2015	**3,235**	**15,744**	**3,099**	**22,078**

Intangible assets are not pledged as security for liabilities.

As at December 31st 2016 and December 31st 2015, the Group carried no intangible assets held for sale.

In 2016 and 2015, no impairment losses were recognised.

The Group's companies which incur significant research and development costs are SECO/WARWICK Europe (R&D costs of PLN 7,920 thousand) and Retech (R&D costs of PLN 648 thousand).

Note 12. GOODWILL

Item	Dec 31 2016	Dec 31 2015
Consolidation goodwill at beginning of period	40,194	68,557
Decrease in goodwill – impairment loss on SECO/WARWICK Corporation	-	-5,864
Decrease in goodwill – impairment loss on Retech Systems	-	-30,004
Exchange differences on translation of goodwill	2,809	7,505
Total goodwill at end of period	**43,003**	**40,194**

As at December 31st 2016, no increase / decrease in goodwill was recognised.

The Parent carried out impairment tests on goodwill in the subsidiaries Retech Systems LLC and SECO/WARWICK Germany GmbH. The tests revealed goodwill impairment in two subsidiaries. The recoverable amounts attributable to individual cash-generating units were determined based on their calculated value in use.

Cash-generating unit

In each case, value in use was calculated based on the 2017 budget and projections for the following four years. The projections reflect the management's business experience and an analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the period of detailed projections:

Item	*Retech Systems LLC (USA)*	*SECO/WARWICK Germany GmbH (Germany)*
Average discount rate (pre-tax)	16.99%	11.76%
Average revenue growth rate	3.8%	7.7%
Growth rate after the forecast period	1.0%	1.0%
Recoverable amount	121,956	2,939
Goodwill write-off (PLN '000)	NO	NO

Other important assumptions for the calculation of the value in use are as follows:

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

• free cash flows;

• discount rates;

• market share in the projection period.

Free cash flows are estimated based on historical data concerning individual cash-generating units and forecast operating profit, depreciation and amortisation, capital expenditure, changes in non-cash current assets and non-financial liabilities.

Discount rate – the weighted average cost of capital (WACC) was used as a discount rate for the purposes of impairment tests; WACC was adjusted on a case-by-case basis (i.e. for the individual tested equity interests and goodwill) for premiums and discounts related to risks specific to a given tested asset (as well as for country risk and differences in the inflation rates expected in the countries in which the individual companies of the Seco/Warwick Group operate).

Growth rates are estimated based on the published findings of industry research.

Assumptions regarding the market are material because – in addition to using industry data to determine the growth rate – the management assesses how the assets and financial condition of individual cash-generating units may change over the budget period relative to their peers. The management expects the market share to remain stable over the projection period.

Sensitivity to changes of assumptions

In testing goodwill for impairment, a simulation of the recoverable amount was used, with the discount rates in 2017−2021 changed for each company:

Item	*Retech Systems LLC (USA)*	*SECO/WARWICK Germany GmbH (Germany)*
Recoverable amount:		
Discount rates assumed in the test	121,956	2,939
Discount rates increased by 1%	110,492	2,355
Discount rates increased by 3%	92,689	1,441

Note 13. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

OOO SCT

The Group holds 50% of ordinary shares in OOO SCT (a company operating under Russian law), representing 50% of the total vote at the company's general meeting. The Russian shareholder holds the other 50% of the total vote.

Investment in OOO SCT is measured with the equity method in accordance with IAS 28.

Investment in associate	
as of Dec 31 2015	**1,484**
Share of profit of associate − 2016	-26
Exchange differences on translation of foreign operation	423
write-off	-1,881
as of Dec 31 2016	**-**

On the impairment test, a full write-down of the investment value was made in the associate.

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

The Parent's Management Board considers the investment in OOO SCT to be a long-term investment (currently there are no plans to sell the shares). In view of that and in accordance with IAS 12.44, no deferred tax was recognised in respect of the temporary differences arising from investments in associates.

Note 14. INVENTORIES

Item	Dec 31 2015	Dec 31 2015
Materials (at cost)	31,097	25,821
Semi-finished products and work in progress	7,031	7,838
Finished goods	1,098	1,063
Merchandise	151	9
Total inventories (carrying amount)	**39,377**	**34,730**
Write-downs of inventories	3,807	3,348
Gross inventories	**43,184**	**38,078**

CHANGE IN INVENTORY WRITE-DOWNS

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	**Total**
Jan 1 2015	**1,650**	**1,344**	**437**	**5**	**3,435**
Increase, including:	**593**	**-**	**-**	**-**	**593**
- write-downs recognised in correspondence with other expenses	593	-	-	-	593
Net exchange differences on translating financial statements into presentation currency	-	**-**	**-**	**-**	-
Decrease, including:	**495**	**-38**	**223**	**-**	**680**
- write-downs reversed in correspondence with other income	609	-	223	-	832
Net exchange differences on translating financial statements into presentation currency	-114	-38	-	-	-152
Dec 31 2015	**1,748**	**1,382**	**214**	**5**	**3,347**
Increase, including:	**463**	**-**	**-**	**-**	**463**
- write-downs recognised in correspondence with other expenses	463	-	-	-	463
Net exchange differences on translating financial statements into presentation currency	**-**	**-**	**-**	**-**	-
Decrease, including:	**3**	**-**	**-**	**-**	**3**
- write-downs reversed in correspondence with other income	147	**-**	**-**	**-**	147

Net exchange differences on translating financial statements into presentation currency	-144	-	-	-	-144
Dec 31 2015	**2,208**	**1,382**	**214**	**5**	**3,807**

Inventory write-downs were reversed following a review of inventory levels. Write-downs made previously with respect to items which the review found to be in an unimpaired condition were reversed.

Note 15. LONG-TERM CONTRACTS

Included in the consolidated financial statements as amounts due:	**Dec 31 2016**	**Dec 31 2015**
From customers under construction contracts	106,554	97,969
To customers under construction contracts	-102,015	-123,773
	4,539	-25,804

Costs incurred to the reporting date are costs incurred from the commencement of a long-term contract to the reporting date. The data in the table covers all contracts recognised by Group entities in their records as at the reporting date.

Revenue from a contract in progress recognised as revenue in 2016 amounted to PLN 548,674 (2015: PLN 452,717).

As at December 31st 2016, advances received from customers for contract work totalled PLN 96,102 thousand (2015: PLN 115,401 thousand).

Note 16. TRADE AND OTHER RECEIVABLES

Item	**Dec 31 2016**	**Dec 31 2015**
Trade receivables (net)	**97,827**	**85,460**
non-current	**-**	**23**
- from related entities	-	-
- from other entities	-	23
current	**97,827**	**85,437**
- from related entities	-	-
- from other entities	97,827	85,437
Impairment losses (positive value)	**18,508**	**19,478**
Trade receivables (gross)	**116,336**	**104,938**
Other receivables:		
non-current	**5,567**	**1,336**
current	**36,416**	**31,104**
taxes, customs duties and social security receivable	15,641	11,625
other receivables:	20,775	19,479
Other receivables (gross)	**41,983**	**32,440**

Other receivables comprise mainly receivables from an insurer, related to the event of November 19th 2016, and advances paid to suppliers, which are accounted for based on stage of completion.

As at December 31st 2016, trade receivables of PLN 18,508 thousand (2015: PLN 19,478 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised.

The changes in impairment losses on receivables were as follows:

Item	Dec 31 2016	Dec 31 2015
As at beginning of the period	**19,478**	**8,938**
Increase	1,929	10,459
Use (-)	-3,131	-250
Net exchange differences on translating financial statements into presentation currency	232	331
As at end of the period	**18,508**	**19,478**

Maturity structure of trade receivables (gross) as from the end of the reporting period:

Item	Dec 31 2016	Dec 31 2015
Up to 1 month	55,455	25,872
More than 1 month, up to 6 months	22,299	30,713
more than 6 months, up to 1 year	9,433	5,225
more than 1 year	482	3,140
past due	10,158	20,511
Total trade receivables (net)	**97,827**	**85,460**
Long-term receivables	-	23
Short-term receivables	97,827	85,437
Impairment losses on trade receivables	18,508	19,478
Total trade receivables (gross)	**116,336**	**104,938**

Note 17. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board)

No loans were advanced to members of the Management Board or the Supervisory Board in 2016 or 2015.

	Dec 31 2016	Dec 31 2015
Increase in loans advanced, including:	**134**	**520**
- non-current	67	-
- current	67	520

Financial assets

Item	Dec 31 2016	Dec 31 2015
Financial assets available for sale	3	3
Non-current deposits	8,279	8,037
Other	154	536
Derivative financial instruments	199	407
Total financial assets, including:	**8,636**	**8,984**
- non-current	8,369	8,056
- current	266	928

Financial liabilities

Item	Dec 31 2016	Dec 31 2015
Borrowings	77,441	69,319
Other financial liabilities:	9,575	7,145
- derivative financial instruments	6,694	4,896
- lease liabilities	2,762	1,928
- other financial liabilities	119	321
Total financial liabilities, including:	**87,015**	**76,464**
- non-current	30,023	39,208
- current	56,992	37,255

	Dec 31 2016		Dec 31 2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivative financial instruments	199	6,694	407	4,896
Total financial assets and liabilities at fair value through profit or loss				
- non-current	-	-	-	-
- current	-	-	-	-
Total hedging instruments				
- non-current	-	559	-	1,699
- current	199	6,135	407	3,197

Disclosures of derivative financial instruments which qualify for hedge accounting

In 2016, SECO/WARWICK EUROPE Sp. z o.o. used currency forwards to hedge an average of 60% of its export cash flows denominated in EUR, 58% of its cash flows denominated in USD, and 100% 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-, or CZK-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if the criteria provided for in IAS 39:88 are met.

The balance-sheet valuation of derivative instruments is recognised in equity. If a transaction which has been hedged with a currency forward affects profit or loss, the valuation previously recognised in equity is reclassified to profit or loss.

Given that transactions in derivative instruments are entered into for the purposes of concluded long-term contracts (accounted for based on the stage of completion measured by reference to contract costs incurred), the Group assumed that the transactions affect profit or loss in proportion to the percentage of completion of a given contract.

The Group further assumed that the valuations of derivative instruments as at the reporting date provided by partner banks reliably reflect the fair value of its currency forwards, and so this value was disclosed in its accounting records.

The effectiveness of transactions is assessed by comparing the maturity dates and nominal values of the hedged item and the hedging instrument.

The table below presents total values of hedging relationships open as at December 30th 2016.

30/12/2016	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 30 2016	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	58,044	34,376	22,127	-1,195	-748	-447	from Jan 31 2017 to Dec 5 2018
30/12/2016	**Notional amount of contract (USD '000)**	**Original notional amount of hedging instrument**	**Remaining notional amount of hedging instrument as at Dec 30 2016**	**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	41,887	24,599	14,114	-5,220	-2,877	-2,343	from Jan 12 2017 to May 4 2018
30/12/2016	**Notional amount of contract (CZK '000)**	**Original notional amount of hedging instrument**	**Remaining notional amount of hedging instrument as at Dec 30 2016**	**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	31,000	31,000	31,000	-66	-40	-26	from Jan 30 2017 to Jan 31 2018

The table below presents total values of hedging relationships open as at December 31st 2015.

31/12/2015	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 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	50,066	24,642	21,990	-451	-250	-201	January 29th 2016 to October 31st 2017
31/12/2015	**Notional amount of contract (USD '000)**	**Original notional amount of hedging instrument**	**Remaining notional amount of hedging instrument as at Dec 31 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	52,100	31,886	21,666	-4,020	-1,795	-2,225	February 29th 2016 to July 31st 2017
31/12/2015	**Notional amount of contract (GBP '000)**	**Original notional amount of hedging instrument**	**Remaining notional amount of hedging instrument as at Dec 31 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	1,591	1,373	1,168	-3	-58	55	January 29th 2016 to February 28th 2017
31/12/2015	**Notional amount of contract (RUB '000)**	**Original notional amount of hedging instrument**	**Remaining notional amount of hedging instrument as at Dec 31 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	85,647	53,581	15,832	2	2	-	29.01.2016

Note 18. PREPAYMENTS AND ACCRUED INCOME

Item	Dec 31 2016	Dec 31 2015
Insurance policies	2,100	2,021
Subscriptions	2	3
VAT to be settled in the following period	1,785	898
Lease of software	521	807
Prepayments	644	-
Other	920	238
Total current prepayments and accrued income	**5,972**	**3,969**

Note 19. CASH AND CASH EQUIVALENTS

Item	Dec 31 2016	Dec 31 2015
Cash at banks and cash in hand	36,979	38,848
Short-term deposits	4,168	19,205
Other cash equivalents	-	-
Total cash and cash equivalents	**41,147**	**58,054**

Note 20. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share capital

Item	Dec 31 2016	Dec 31 2015
Number of shares	10,298,554	10,737,837
Par value of shares	0.2	0.2
Share capital	2,059	2,148
Share capital restated using hyperinflation index	1,557	1,557
Share capital at end of the period	**3,616**	**3,704**

Shareholding structure:

Shareholders as at Dec 31 2016	Preference attached to shares	Type of limitation on rights to shares	Number of shares
SW Holding	None	-	3,387,139
Spruce Holding Limited Liability Company (USA)	None	-	1,123,337
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	None	-	1,046,573
Bleauhard Holdings LLC	None	-	637,028
Nationale-Nederlanden Otwarty Fundusz Emerytalny	None	-	600,000
SECO/WARWICK S.A.	None	-	598,500
Metlife OFE	None	-	577,470
Other	None	-	2,328,507
TOTAL			**10,298,554**

Changes in share capital:

Item	Jan 1 - Dec 31 2016	Jan 1 - Dec 31 2015
Share capital at beginning of the period	**3,704**	**3,704**
Share capital increases during the period		
Share capital increase	-	-
Share capital restated using hyperinflation index (IAS 19)	-	-
Share capital reductions during the period	**88**	**-**
Cancellation of treasury shares	88	-
Share capital at end of the period	**3,616**	**3,704**

Other components of equity

Item	Statutory reserve funds	Other components of equity
Balance as at Jan 1 2015	**174,617**	**49,866**
Increase		
Transfer of retained earnings/deficit to statutory reserve funds	15,654	-
Management stock options	-	409
Decrease		
Share buyback	-	-26,045
Balance as at Dec 31 2015	**190,271**	**24,230**
Increase		
Cancellation of treasury shares	-	88
Disposal of own shares	-	100
Management stock options	-	571
Transfer from capital reserve to statutory reserve funds	15,705	-
Decrease		
Disposal of own shares	-29	-
Transfer of retained earnings/deficit to statutory reserve funds	-23,519	-
Transfer from capital reserve to statutory reserve funds	-	-15,705
Balance as at Dec 31 2016	**182,429**	**9,284**

Other capital reserves were recognised in connection with share buyback and implementation of the management stock option plan.

Non-controlling interests:

	Dec 31 2016	Dec 31 2015
Non-controlling interests at beginning of period	**450**	**2,376**
Recognition of share of SWA’s profit or loss for period	-148	-252
Recognition of share of exchange differences on translation of SWR’s operations	-2	-20
Recognition of share of SWA’s profit or loss for period	5	-1,792
Accounting for increase in equity interest held in SWA	-1,314	-
Recognition of share of exchange differences on translation of SWA’s operations	466	138
Non-controlling interests at end of period	**-543**	**450**

Note 21. FINANCIAL LIABILITIES

Item	Dec 31 2016	Dec 31 2015
Borrowings	77,441	69,319
Other financial liabilities:	9,575	7,145
- valuation of financial instruments	6,694	4,896
- lease liabilities	2,762	1,928
- other financial liabilities	119	321
Total financial liabilities	**87,015**	**76,464**
- non-current	30,023	39,208
- current	56,992	37,255

Short-term and long-term bank and other borrowings

Item	31.12.2016	31.12.2015
Long-term bank and other borrowings	**27 462**	**36 102**
Overdraft facility– constant interest rate	8 652	8 730
Investment overdraft facility- variable interest rate	15 517	24 215
Preference shares	3 293	3 157
Short-term bank and other borrowings	**49 979**	**33 217**
Overdraft facility– constant interest rate	24 323	23 914
Overdraft facility– variable interest rate	16 413	-
Investment overdraft facility- variable interest rate	8 961	8 786
Credit card limit	282	156
Loan		361
Total bank and other borrowings	**77 441**	**69 319**

Borrowings by maturity:

Item	Dec 31 2016	Dec 31 2015
Current bank and other borrowings	49,978	33,218
Non-current bank and other borrowings	27,462	36,102
- repayable in more than 1 year, up to 3 years	25,898	28,217
- repayable in more than 3 years, up to 5 years	1,565	7,885
Total bank and other borrowings	**77,441**	**69,319**

Bank and other borrowings by currency:

Item	Dec 31 2016		Dec 31 2015	
	amount in foreign currency	amount in PLN	amount in foreign currency	amount in PLN
PLN	-	37,023	-	26,894
EUR	571	2,525	542	2,310
USD	3,642	14,995	2,200	8,581
CNY	6,881	4,139	7,446	4,474
INR	304,759	18,758	409,935	24,171
BRL	-	-	2,933	2,889
Total bank and other borrowings		**77,441**		**69,319**

Note 22. LEASES

Operating lease

Liabilities under operating leases – the Group as a lessee:

Item	Dec 31 2016	Dec 31 2015
Lease payments made	**360**	**335**
Outstanding balance:		
Up to 1 year	82	336
From 1 year to 5 years	116	41
Over 5 years	-	-
Total	**198**	**377**

In 2016 and 2015, operating lease agreements included lease of office equipment and vehicles used by SECO/WARWICK Corporation.

Finance leases

As at December 31st 2016 and December 31st 2015, liabilities under finance leases and lease agreements with a purchase option were as follows:

Item	Dec 31 2016		Dec 31 2015	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	793	828	951	737
From 1 year to 5 years	2,612	1,934	1,392	1,191
Over 5 years	-	-	-	-
Total minimum lease payments	**3,406**	**2,762**	**2,343**	**1,928**
Finance costs	643	-	415	-
Present value of minimum lease payments, including:	**2,762**	**2,762**	**1,928**	**1,928**
current	656	656	737	737
non-current	2,106	2,106	1,191	1,191

Note 23. TRADE PAYABLES AND OTHER LIABILITIES

Item	Dec 31 2016	Dec 31 2015
current liabilities	81,016	68,846
non-current liabilities	429	177
Total	**81,445**	**69,023**

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Item	Dec 31 2016	Dec 31 2015
Trade payables		
To related entities	-	-
To other entities	67,712	53,899
Total	**67,712**	**53,899**
Taxes, customs duties, social security and other charges payable	6,839	7,631
Salaries and wages payable	3,970	5,466
Income tax payable	209	417
Other liabilities	2,286	1,434
Total other liabilities	**13,304**	**14,948**
Total trade payables and other liabilities	**81,016**	**68,846**

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 68,429 thousand as at the end of 2016 and PLN 75,507 thousand as at the end of 2015. 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

Social assets and liabilities of the Company Social Benefits Fund (Polish companies)

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

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

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

Item	Dec 31 2016	Dec 31 2015
Total tangible assets contributed to the Fund	-	-
Loans advanced to employees	45	44
Cash	59	46
Liabilities to the Fund	99	91
Net balance	5	-1
Contributions to the Fund during financial period	523	518

Investment commitments

As at December 31st 2016, the Group had commitments of PLN 2,446 thousand to incur capital expenditure on property, plant and equipment.

Note 24. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Polish companies of the Group received retirement bonuses in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Group recognises a provision for the present value of the retirement bonus obligations. The amount of the provision and reconciliation of changes in the provision during the year are presented in the table below.

Provision for retirement bonuses and similar benefits

LONG-TERM PROVISION FOR RETIREMENT BONUSES AND BENEFITS	Jan 1– Dec 31 2016	Jan 1– Dec 31 2015
at beginning of period	**6,277**	**5,352**
increase	100	1,024
- provisions of acquired entities	-	-
- provision recognised	100	1,024
use	-	-
reversal	1,264	5
at end of period	**5,113**	**6,277**

Main assumptions adopted by the actuary as at the end of the reporting period to calculate the amount of the obligations were as follows:

Item	Dec 31 2016	Dec 31 2015
Discount rate (%)	3.1	3.1
Expected inflation rate (%)	2.5	2.5
Expected rate of growth of salaries and wages (%)	5.0	5.0

CHANGE IN SHORT-TERM PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1– Dec 31 2016	Jan 1– Dec 31 2015
1. Provision for accrued holiday entitlements		
as at beginning of the period	**2,944**	**2,856**
- recognised	19,733	1,479
- used	-	-
- reversed	17,774	1,391
- translation differences	-	-
as at end of the period	**4,903**	**2,944**
2. Provision for bonuses		
as at beginning of the period	**5,076**	**4,319**
- recognised	18,800	6,996
- used	2,581	2,302
- reversed	14,644	3,937
- translation differences	-	-
as at end of the period	**6,651**	**5,076**
3. Provision for retirement bonuses		
as at beginning of the period	3,869	1,976
- recognised	-	3,841
- used	-	-
- reversed	3,841	1,948
- translation differences	-	-
as at end of the period	**28**	**3,869**

The table below presents the key assumptions adopted by the actuary to calculate the amount of pension benefits obligation at SECO/WARWICK Corp. as at the reporting date:

Item	Dec 31 2016	Dec 31 2015
Discount rate (%)	3.73	3.88
Expected rate of return on assets (%)	7.00	7.00

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	2016	2015
Change in plan liability		
Liability at beginning of the period	**19,132**	**18,516**
Administration costs	-	-
Interest expense	720	648
Actuarial gain/(loss)	-422	-335
Contributions paid	-1,078	-964
Liability at end of the period	**18,352**	**17,864**
Change in plan assets		
Fair value of plan assets at beginning of the period	**14,373**	**13,814**
Actual return on plan assets	907	-133
Contributions paid in	752	702
Contributions paid out	-1,078	-964
Fair value of plan assets at end of the period	**14,954**	**13,420**

OTHER PROVISIONS

Item	*Provision for warranty repairs and returns*	*Provision for penalty*	*Other provisions*	*Other provisions – contingent liability*	*Total*
As at Dec 31 2014	**2,113**	**-**	**6,619**	**-**	**8,732**
Provisions recognised during the financial year	362	-	21,798	-	22,160
Provisions used	-	-	-1,117	-	-1,117
Provisions reversed	-2,261	-	-17,758	-	-20,019
As at Dec 31 2015	**214**	**-**	**9,148**	**-**	**9,362**
Provisions recognised during the financial year	18	-	19,058	-	19,076
Provisions used	-	-	-1,905	-	-1,905
Provisions reversed	-109	-	-20,210	-	-20,319
As at Dec 31 2016	**123**	**-**	**6,091**	**-**	**6,214**

Note 25. DEFERRED INCOME

Item	Dec 31 2016	Dec 31 2015
- grant [1]	14,589	11,207
Total deferred income, including:	**14,589**	**11,207**
- non-current	13,574	10,627
- current	1,015	581

[1] grants for research and development projects from the Polish Agency for Enterprise Development (PARP) and the Polish National Centre for Research and Development (NCBiR)

Note 26. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2016	Dec 31 2015
Cash in the statement of financial position	**41,147**	**58,054**
Exchange differences on balance-sheet valuation	85	-3
Monetary assets classified as cash equivalents for the purposes of the statement of cash flows	-	-
Total cash and cash equivalents disclosed in the statement of cash flows	**41,233**	**58,050**

Item	Dec 31 2016	Dec 31 2015
Depreciation and amortisation	**11,071**	**9,519**
Amortisation of intangible assets	2,208	1,897
Depreciation of property, plant and equipment	8,853	7,612
Depreciation of investment property	10	10

Change in provisions (excluding elimination of income tax liabilities) results from the following items:	**-4,880**	**1,534**
Net change in provisions	-4,129	-286
Elimination of change in deferred tax liabilities	-1,011	1,820
Exchange differences	261	-
Change in inventories results from the following items:	**-3,983**	**2,971**
Net change in inventories	-4,647	2,971
Exchange differences	664	-
Change in receivables (excluding elimination of income tax receivable) results from the following items:	**-13,941**	**-17,184**
Balance-sheet change in short-term receivables	-17,996	-22,018
Elimination of income tax receivable	159	4,834
Exchange differences	3,897	-
Change in current liabilities (excluding financial liabilities and elimination of income tax liabilities) results from the following items:	**10,368**	**-481**
Balance-sheet change in current liabilities	12,584	-3,811
Adjustment for change in liabilities related to acquisition of property, plant and equipment	-	-262
Exchange differences	-2,008	-
elimination of income tax payable	-207	-428
Liability related to the purchase of a 50% equity interest in SW Brasil	-	4,020
Change in prepayments and accrued income (excluding elimination of income tax assets) results from the following items:	**-29,014**	**61,056**
Net change in accruals and deferrals	-28,851	61,056
Elimination of change in deferred tax assets	-	-
Exchange differences	-163	-
Change in other adjustments results from the following items:	**511**	**36,537**
Management stock options	571	409
Goodwill write-off	-	35,868
Capital valuation of pension plan at SWC	-	2,085
Other	-60	-1,825

Note 27. RELATED PARTIES

Related-party transactions were concluded in the companies' ordinary course of business, on an arm's length basis.

Note 28. KEY PERSONNEL REMUNERATION

Senior management of the SECO\WARWICK GROUP comprises members of the Management and Supervisory Boards.

MANAGEMENT BOARD remuneration:

Name and surname	Remuneration for the period	Other benefits	Total remuneration for the period
Dec 31 2016			
Paweł Wyrzykowski	750	24	774
Jarosław Talerzak	390	13	403
Wojciech Peret	384	19	403
Total	**1,524**	**56**	**1,580**
Dec 31 2015			
Paweł Wyrzykowski	1,016	40	1,056
Wojciech Modrzyk (1)	370	23	393
Jarosław Talerzak	426	25	451
Wojciech Peret (2)	28	2	30
Total	**1,840**	**90**	**1,930**

(1) Remuneration to Mr Wojciech Modrzyk for the period January 1st−December 3rd 2015 for serving on the Company's Management Board.

(2) Remuneration to Mr Wojciech Peret for the period December 3rd−December 31st 2015 for serving on the Company's Management Board.

For information on the value of awarded management stock options, see Note 34 "Management stock options."

SUPERVISORY BOARD remuneration:

Name and surname	Total remuneration	
	Dec 31 2016	Dec 31 2015
Andrzej Zawistowski, including:	223	197
- for his service as Chairman of the Supervisory Board	120	120
- under agreement for advisory services(1)	103	77
Jeffrey Boswell, including:	161	127
- for his service as Member of the Supervisory Board	-	-
- under employment contract(2)	161	127
James A. Goltz, including:	840	716
- for his service as Member of the Supervisory Board	-	-
- under employment contract(3)	840	716
Dr Gutmann Habig (4)	46	28
Henryk Pilarski	54	54
Witold Klinowski, including:	196	198
- for his service as Member of the Supervisory Board (5)	20	42
- under agreement for advisory services(6)	176	156

Zbigniew Rogóż [7]	-	17
Marcin Murawski [8]	44	26
Paweł Tamborski [9]	22	-
Total	**1,586**	**1,363**

[1] Under a service agreement between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities under the name USŁUGI DORADCZE Andrzej Zawistowski. The agreement of July 2nd 2012 is for the provision of technical and product development advisory services.

[2] Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.

[3] Under an employment contract between Retech Systems LLC and Mr James A. Goltz.

[4] Mr Gutmann Habig was removed from his position of Member of the Supervisory Board by Resolution No. 28 of the General Meeting of June 24th 2016.

[5] Mr Witold Klinowski tendered his resignation as member of the Supervisory Board, with effect from June 24th 2016.

[6] Under an agreement for the provision of technical and product development advisory services of October 3rd 2013, executed between SECO/WARWICK EUROPE Sp. z o.o. and Mr Witold Klinowski.

[7] Mr Zbigniew Rogóż was removed from his position of Member of the Supervisory Board by Resolution No. 26 of the General Meeting of May 26th 2015.

[8] Mr Marcin Murawski was appointed as Member of the Supervisory Board by Resolution No. 33 of the General Meeting of May 26th 2015.

[9] Mr Paweł Tamborski was appointed as Member of the Supervisory Board by Resolution No. 29 of the General Meeting of June 24th 2016.

Note 29. FINANCIAL ASSETS AND LIABILITIES

Item	***Category (IAS 39)***	***Carrying amount***		***Maximum credit risk exposure in 2016***
		Dec 31 2016	**Dec 31 2015**	
Financial assets				
Financial assets available for sale (non-current)	AFS	3	3	3
Loans advanced (current)	L&R	67	520	-
Loans advanced (non-current)	L&R	67	-	67
Trade and other receivables	L&R	113,468	97,062	113,468
Derivative financial instruments	L&R	199	407	199
- Hedging instruments	L&R	199	407	199
Cash and cash equivalents	L&R	41,147	58,054	41,147
Sureties advanced				
Financial liabilities				
current				
Interest-bearing bank and other borrowings, including:	OFL at AC			
- Overdraft facility	OFL at AC	41,017	24,475	-
- short-term borrowings	OFL at AC	8,961	8,785	-
- Finance lease liabilities (current)	OFL at AC	772	737	-
Trade payables and other liabilities	OFL at AC	62,129	56,709	-
Hedging instruments	OFL at AC	6,135	3,197	-
non-current				
Long-term borrowings bearing interest at variable rates	OFL at AC	27,462	36,102	-
Other liabilities (non-current), including:	OFL at AC	13,758	10,804	-
- Finance lease liabilities	OFL at AC	2,600	1,191	-

There is no difference between the carrying amount and the fair value of assets and liabilities.

The table presents the fair value hierarchy reflecting the significance of the inputs used in making fair value measurements.

	Dec 31 2016		
	Level 1	Level 2	Level 3
Financial assets			
Financial assets available for sale (non-current)	-	-	-
Loans advanced (current)	-	-	-
Loans advanced (non-current)	-	-	-
Trade and other receivables	-	-	-
Derivative financial instruments	-	199	-
- Currency forwards	-	199	-
Cash and cash equivalents	-	-	-
TOTAL	**-**	**199**	**-**
Financial liabilities			
current			
Interest-bearing bank and other borrowings, including:	-	-	-
- *Overdraft facility*	-	-	-
- *short-term borrowings*	-	-	-
- *Finance lease liabilities (current)*	-	-	-
Trade payables and other liabilities	-	-	-
Currency forwards	-	6,135	-
non-current	-	-	-
Long-term borrowings bearing interest at variable rates	-	-	-
Other liabilities (non-current), including:	-	-	-
- *Finance lease liabilities*	-	-	-
TOTAL	-	**6,135**	**-**

	Dec 31 2015		
	Level 1	Level 2	Level 3
Financial assets			
Financial assets available for sale (non-current)	-	-	-
Loans advanced (current)	-	-	-
Loans advanced (non-current)	-	-	-
Trade and other receivables	-	-	-
Derivative financial instruments	-	407	-
- Currency forwards	-	407	-
Cash and cash equivalents	-	-	-
TOTAL	**-**	**407**	**-**

Financial liabilities			
current			
Interest-bearing bank and other borrowings, including:	-	-	-
- *Overdraft facility*	-	-	-
- *short-term borrowings*	-	-	-
- *Finance lease liabilities (current)*	-	-	-
Trade payables and other liabilities	-	-	-
Currency forwards	-	3,197	-
non-current	-	-	-
Long-term borrowings bearing interest at variable rates	-	-	-
Other liabilities (non-current), including:	-	-	-
- *Finance lease liabilities*	-	-	-
TOTAL	-	**3,197**	**-**

Note 30. WORKFORCE STRUCTURE

Item	Dec 31 2015	31.12.2014
Blue-collar employees	434	475
White-collar employees	456	479
Employees on parental leaves	4	4
Total	**894**	**958**

Note 31. DISCONTINUED OPERATIONS

In 2016 In connection with the sale of SECO/WARWICK do Brasil Indústria de Fornos LTDA. of Jundai (Brazil), profit/(loss) from discontinued operations was recognised as a separate item in the statement of comprehensive income, with the relevant comparative data adjusted in accordance with IFRS 5.34.

The table below shows the presentation changes to comparative data in the interim consolidated statement of comprehensive income.

	01.01.2016 – 31.08.2016	01.01.2015 – 31.12.2015
Revenue from sale of finished goods	4 786	10 575
Revenue from sale of merchandise and materials	-	-
Revenue	**4 786**	**10 575**
Finished goods sold	-3 505	-6 037
Merchandise and materials sold	-	-
Cost of sales	**-3 505**	**-6 037**
Gross profit/(loss)	**1 281**	**4 538**
Other income	1 192	145
Distribution costs	-624	-69

Administrative expenses	-2 245	-5 178
Other expenses	-181	-146
Operating profit/(loss)	**-576**	**-711**
Finance income	119	1 036
Finance costs	-831	-884
Profit/(loss) before tax	**-1 288**	**-559**
Actual tax expense	-	-152
Net profit/(loss)	**-1 288**	**-711**
Settlement of sales	-379	**-**
Net profit/(loss)	**-1 667**	**-711**

Note 32. CAPITAL MANAGEMENT

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

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders or issue new shares. During the year ended December 31st 2016, no changes were made to capital management objectives, policies and processes.

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

The gearing ratio at end of the year was as follows:

	Dec 31 2016 **PLN'000**	**Dec 31 2015** **PLN'000**
Debt	80,813	71,776
Cash and cash equivalents	-41,147	-58,054
Net debt	39,666	13,722
Equity	199,731	176,030
Net debt to equity	**19.86%**	**7.80%**

The level of the net debt to equity ratio is a result of the Management Board's conservative approach to debt. Accumulated cash is used to fund the Group's operating activities.

Note 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

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

33.1 Currency risk

Its active international presence and a broad geographical reach require the Group to enter into certain sale and purchase transactions denominated in foreign currencies. Some of the Group's borrowings and other financial liabilities are also denominated in foreign currencies. This exposes the Group to the risk of exchange rate fluctuations.

Foreign-currency financial assets and liabilities translated into PLN using the closing exchange rate prevailing at the reporting date:

	As at 31/12/2016 in foreign currency	As at 31/12/2016 in PLN	As at 31/12/2015 in foreign currency	As at 31/12/2015 in PLN
Liabilities				
EUR	2,906	12,854	1,874	7,987
USD	4,547	19,005	4,202	16,391
Assets				
EUR	15,459	68,390	17,311	73,769
USD	5,479	22,899	9,087	35,451
Notional amount of hedging instrument				
EUR	22,127	97,890	21,990	93,710
USD	14,114	58,987	21,666	84,521
Goodwill				
EUR	391	1,730	406	1,730
USD	9,204	38,464	9,860	38,464

The Group is mainly exposed to foreign currency risk related to EUR and USD.

Presented below is a sensitivity analysis for financial assets and liabilities, showing the effect of movements in the EUR/PLN and USD/PLN exchange rates on the Company's profit or loss and other comprehensive income.

Assumptions:

- exchange rate at reporting date Dec 31 2016

+ 10% increase in exchange rate

- 10% decrease in exchange rate

The currency risk exposure changes over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the above sensitivity analysis is considered to be representative of the Company's exposure to foreign currency risk.

Exchange rate at Dec 31 2016	Exchange rate	+ 10% increase in exchange rate	- 10% decrease in exchange rate
USD	4.1793	0.4179	-0.4179
EUR	4.4240	0.4424	-0.4424

Exchange rate at Dec 31 2015	Exchange rate	+ 10% increase in exchange rate	- 10% decrease in exchange rate
USD	3.9011	0.3901	-0.3901
EUR	4.2615	0.4262	-0.4262

Effect on equity		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
ASSETS					
Increase in exchange rate	10%	6,136	7,392	7,012	7,550
Decrease in exchange rate	-10%	-6,136	-7,392	-7,012	-7,550
LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-7,799	-10,091	-11,074	-10,170
Decrease in exchange rate	-10%	7,799	10,091	11,074	10,170
TOTAL					
Increase in exchange rate	10%	-1,663	-2,700	-4,062	-2,620
Decrease in exchange rate	-10%	1,663	2,700	4,062	2,620

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended	Period ended	Period ended	Period ended
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
ASSETS					
Increase in exchange rate	10%	2,290	3,545	6,839	7,377
Decrease in exchange rate	-10%	-2,290	-3,545	-6,839	-7,377
LIABILITIES AND BORROWINGS					
Increase in exchange rate	10%	-7,799	-10,091	-11,074	-10,170
Decrease in exchange rate	-10%	7,799	10,091	11,074	10,170
TOTAL					
Increase in exchange rate	10%	-5,509	-6,546	-4,235	-2,793
Decrease in exchange rate	-10%	5,509	6,546	4,235	2,793

33.2 Interest rate risk

The Group companies use interest-bearing liabilities. Therefore, the Group is exposed to interest rate risk, with the risk assessment presented based on a 1% increase/decrease in interest rates.

	Effect on net profit/loss	Effect on net profit/loss
	+ 1%/- 1%	+ 1%/- 1%
	Year ended Dec 31 2016	**Year ended Dec 31 2015**
Lease liabilities	+/- 28	+/- 20
Other financial liabilities at amortised cost	+/- 774	+/- 693

In 2016, total borrowings amounted to PLN 77,441 thousand (2015: PLN 69,319 thousand) and financial liabilities totalled PLN 2,762 thousand (2015: PLN 1,928 thousand). The effect of interest rate movements on profit or loss and equity was calculated by adding/deducting 1pp to/from the average interest rate.

The purpose of interest rate risk management is to maintain the adverse effect of fluctuations in market interest rates on cash flows at the level acceptable to the Group.

37.3 Liquidity risk

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

The Group also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility. The Group considers its bank borrowings as financial instruments that may potentially lead to a concentration of liquidity risk as the Company enters into cooperation with selected financial institutions only. As at December 31st 2016, bank borrowings represented 19% of total current liabilities (December 31st 2015: 13%).

The table below presents the Group's financial liabilities by maturity as at December 31st 2016 and December 31st 2015, based on contractual undiscounted payments.

Dec 31 2016	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2016
Trade payables	-	67,712	244	-	**67,957**
Leases	-	656	2,106	-	**2,762**
Derivative instruments	-	6,135	559	-	**6,694**
Interest-bearing bank and other borrowings	-	49,978	27,462	-	**77,441**
Other liabilities	-	13,527	80	-	**13,607**
TOTAL	**-**	**138,008**	**30,452**	**-**	**168,460**

Dec 31 2015	Payable on demand	up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2015
Trade payables	-	53,899	-	-	**53,899**
Leases	-	737	1,191	-	**1,928**
Derivative instruments	-	3,197	1,699	-	**4,896**
Interest-bearing bank and other borrowings	-	33,218	36,102	-	**69,319**
Other liabilities	-	15,052	394	-	**15,445**
TOTAL	**-**	**106,102**	**39,385**	**-**	**145,487**

37.4 Credit risk

The Group operates a policy of selling its products and services only to customers whose credibility has been verified. Management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables. The Group discloses no past due receivables which would not have been deemed uncollectible.

The Group defines its exposure to credit risk as the total amount of outstanding receivables and monitors the balances owed by each customer on a regular basis. As in the previous year, as at December 31st 2016 the share of receivables from one of the customers was in the range 10%–15% of total net trade receivables.
The maturity structure of receivables is presented in Note 16.

The Group manages counterparty credit risk using mainly the following mechanisms and techniques:

- assessment of a counterparty's financial standing and assignment of a credit limit;

- application of uniform contractual provisions regarding credit risk;

- system of ongoing monitoring of payments;

- ongoing monitoring of a counterparty's financial standing.

Note 34. MANAGEMENT STOCK OPTIONS

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

<u>General objectives of the Incentive Scheme of SECO/WARWICK S.A.</u>

- The Incentive Scheme is effective for 2016, 2017 and 2018.
- The Incentive Scheme covers 995,750 Company shares which may be distributed to Eligible Persons.
- Scheme Participants include key members of the Group's management staff who are identified as Scheme Participants in the relevant resolution of the Supervisory Board, and in the period between February 1st 2015 and August 15th 2015 acquire with their own funds, in their own name and for their own account no less than 4,000 and no more than 11,500 Company shares. In the case of the President of the Management Board of SECO/WARWICK SA, the number of shares to be acquired is 100,000. In the case of the President of the Management Board of SECOWARWICK Europe, the largest company of the Group, the number of shares to be acquired is 35,000. The price per share is PLN 25.
- The number of acquired shares and the 3.5 multiple defines the number of potential options which may be granted under the Scheme subject to fulfilment of the conditions specified below.
- Shares for a participant's own account must be acquired no later than on August 15th 2015,

- and may not be sold before June 30th 2022.
- The persons specified in the Supervisory Board's resolution are to declare their intention to participate in the Incentive Scheme by August 31st 2015.
- Participants of the scheme will be assigned individual objectives and a joint objective, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme.
- Achievement of individual objectives is a pre-condition for acquiring rights to 15% of the options in each of the years 2016, 2017 and 2018.
- Achievement of the joint objective is a pre-condition for acquiring rights to 55% of the options in 2016, 2017 and 2018.
- Achievement of the Individual Objectives will be revised on the basis of the Company's audited financial information.
- Achievement of the Individual Objectives will be verified by the Audit Committee by April 30th of each consecutive financial year for the previous financial year.
- Achievement of the Joint Objective will be verified on the basis of the Company's audited financial information for all the financial years between 2016 and 2018.
- Achievement of the Joint Objective will be verified by the Audit Committee by April 30th 2019.
- If a Scheme Participant achieves the Individual Objectives or the Joint Objective, such participant will become eligible to acquire Company Shares in the number and on the terms and conditions specified in the Scheme Rules, and to obtain a Capital Bonus (the "Option").
- Options will vest in accordance with the provisions of agreements to be entered into between the Company and the individual Scheme Participants (the "Option Agreement").
- Rights under Options may not be transferred or encumbered. Such rights are attached to a Scheme Participant and expire upon his/her death.
- An Option entitles a Scheme Participant to purchase Shares at nominal price, in the number specified in the Option Agreement.
- An Option also entitles a Scheme Participant to receive from the Company annual payments whose amount will depend on the amount of dividend paid by the Company for a preceding financial year (the "Capital Bonus").
- The Capital Bonus for a given financial year will be calculated by July 31st of a given financial year, on the basis of a resolution on distribution of the Company's profit and the Company's audited financial information for the previous financial year, based on the following formula:

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

where:

PKt	–	the Capital Bonus to be paid in a given financial year,
Divt	–	the amount of dividend to be paid in a given financial year,
LA	–	the total number of Company shares participating in dividend payment,
LAUP–		the number of Company shares that a Scheme Participant is entitled to acquire in the exercise of an Option; Shares already delivered to a Scheme Participant are not taken into account in this calculation;

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

- in the case of the Management Board President, the Distribution Date will be August 31st 2019 in respect of all Shares receivable by him.

The Supervisory Board determined the Individual Objectives and the Joint Objective for the Incentive Scheme Participants, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme for the financial year 2016. The Objectives cover financial and operating ratios of the individual subsidiaries, the organisational units related to particular technologies, or the entire Group, depending on the position of a Scheme Participant. For the entire Group, the Individual Objective for the President of the Management Board, Chief Financial Officer and Chief Operating Officer at SECO/WARWICK S.A., the Parent, is the consolidated net profit of the Group. For 2016 and 2017, the Objective is set at PLN 18m.

Note 35. CAPITALISED BORROWING COSTS

In the presented reporting periods, the Group companies did not capitalise any borrowing costs.

Note 36. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY

In the presented reporting periods, there were no material items of seasonal, cyclical or occasional revenue at the Group.

Note 37. COURT PROCEEDINGS

Seco/Warwick Corporation (SWC), a subsidiary of the Issuer, with its registered office in Pennsylvania, USA, along with a third party not associated with the Issuer ("Third Party"), are parties to a court dispute with Liberty Mutual Insurance (LMI), in which they claim from LMI additional insurance limits for continued product liability insurance coverage under insurance policies issued to the Third Party in 1982-1986. SWC and the Third Party are seeking coverage for the claims being raised against SWC and the Third Party in connection with product liability personal injury lawsuits filed by individuals alleging injury from asbestos as a result of their exposure to the Third Party's products manufactured by legal predecessors of SWC and the Third Party in 1958-1984 (the Asbestos Claims). SWC was not established until 1984, and was not a part of the Issuer's Group until 2006.

SWC and the Third Party have alleged in court that the insurance policy contract entered into by LMI extends additional coverage to the Asbestos Claims, including the costs of settlements entered into with injured parties and the legal costs in connection with verifying the legitimacy of such claims and negotiating such settlements. LMI claims that the policy limits have been exhausted, citing certain special provisions of the insurance policy. SWC and the Third Party disagree with LMI's contract interpretation.

To the best of the Issuer's knowledge, by the date of these financial statements, 602 Asbestos Claims had been filed against SWC, of which 194 Claims were dismissed, 39 Claims ended in settlement with incurrence comapnies for a total amount of USD 3,175 thousand, and with respect to 369 Claims review procedures are underway or the terms of potential settlement with the injured parties are being negotiated.

Should no agreement be reached with LMI on continued insurance coverage for SWC or should the lawsuit against LMI be dismissed in this respect, there arises the risk that SWC will be forced to bear the costs relating to the Asbestos Claims while SWC and the Third Party pursue the excess carriers to take over the asbestos product liability claims.

To the best of the Issuer's knowledge, the risk of SWC being forced to bear further costs relating to the Asbestos Claims is not significant, as the Third Party holds other excess insurance policies contracted with other insurance companies, which policies can, according to the information received from SWC, cover the Asbestos Claims.

As at the date of this Report, the Issuer is not able to reliably estimate the total amount of its contingent liability related to the claims discussed above. The Issuer will publish any important information regarding the matter.

Note 38. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. Lack of reference to well-established legal regulation in Poland has resulted in ambiguity and inconsistency of the applicable laws and regulations. Frequent differences of opinion on the legal interpretation of tax laws, both between different governmental authorities and between governmental authorities and companies, create areas of uncertainty and conflicts. Therefore, the tax risk in Poland is significantly higher than is usually the case in countries with more developed tax systems.

Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Group.
In the Management Board's opinion, as at December 31st 2016, there was no need to recognise provisions for any recognised and measurable tax risks. The Company pays its tax liabilities when due.

Note 39. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In Current Report No. 1/2017, referring to Current Report No. 26/2016 of October 31st 2016, the Management Board of SECO/WARWICK S.A. announced that on January 2nd 2017 the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, registered the merger of the Company with its subsidiary, SECO/WARWICK EUROPE sp. z o.o. of Świebodzin.

The merger was effected pursuant to Art. 492.1.1 of the Commercial Companies Code, i.e. through the transfer of all assets of SECO/WARWICK EUROPE Sp. z o.o. to SECO/WARWICK S.A. by way of universal succession. As a result of the merger, SECO/WARWICK S.A., as the acquirer, assumed all the rights and obligations of SECO/WARWICK EUROPE Sp. z o.o., which was dissolved without liquidation proceedings, as of the date of its deletion from the register.

As SECO/WARWICK S.A. was the sole owner of SECO/WARWICK EUROPE sp. z o.o., the merger was effected under Art. 515.1 of the Commercial Companies Code, i.e. without a share capital increase at SECO/WARWICK S.A.

For details on events subsequent to the end of the reporting period, see current reports available on the corporate website at www.secowarwick.com HYPERLINK "http://www.secowarwick.com"

Date: April 27th 2017

Piotr Walasek	Paweł Wyrzykowski	Wojciech Peret	Sławomir Woźniak	Bartosz Klinowski
Chief Financial Officer	*President of the Management Board*	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*