SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD **JANUARY 1ST–DECEMBER 31ST 2017**

CONTENTS

SEPARATE FINANCIAL STATEMENTS 1
SEPARATE STATEMENT OF COMPREHENSIVE INCOME 4
SEPARATE STATEMENT OF FINANCIAL POSITION 5
SEPARATE STATEMENT OF CASH FLOWS 7
I. General information 11
II. Key financial data translated into the euro 14
III. Authorisation of the financial statements 15
IV. Compliance with International Financial Reporting Standards 15
V. Going concern assumption 15
VI. Applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses 15
VII. Material judgements and estimates 22
VIII. Changes in accounting policies 23
IX. New standards and interpretations issued but not yet effective 24
X. Impact assessment of IFRS 15 25
XI. Impact assessment of IFRS 9 25
Note 1. REVENUE AND TOTAL INCOME 27
Note 2. OPERATING SEGMENTS 27
Note 3. OPERATING EXPENSES 27
Note 4. OTHER INCOME AND EXPENSES 28
Note 5. FINANCE INCOME AND COSTS 28
Note 6. INCOME TAX AND DEFERRED INCOME TAX 29
Note 7. EARNINGS PER SHARE 30
Note 8. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS 31
Note 9. PROPERTY, PLANT AND EQUIPMENT 31
Note 10. INTANGIBLE ASSETS 34
Note 11. INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES 35
Note 12. TEST FOR IMPAIRMENT OF SHARES 37
Note 13. INVENTORIES 39
Note 14. LONG-TERM CONTRACTS 39
Note 15. TRADE AND OTHER RECEIVABLES 40
Note 16. OTHER FINANCIAL ASSETS AND LIABILITIES 41
Note 17. OTHER NON-FINANCIAL ASSETS 44
Note 18. CASH AND CASH EQUIVALENTS 44
Note 19. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES 44
Note 20. FINANCIAL LIABILITIES 46
Note 21. TRADE PAYABLES AND OTHER LIABILITIES 48

Note 22. PROVISIONS 49
Note 23. DEFERRED INCOME 51
Note 24. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS 51
Note 25. RELATED PARTIES 52
Note 26. REMUNERATION OF KEY PERSONNEL 53
Note 27. FINANCIAL ASSETS AND LIABILITIES 55
Note 28. EMPLOYMENT STRUCTURE 56
Note 29. OBJECTIVES AND POLICY OF FINANCIAL RISK MANAGEMENT 56
Note 30. MANAGEMENT STOCK OPTIONS 60
Note 31. CAPITALISED BORROWING COSTS 61
Note 32. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY 61
Note 33. LITIGATION 61
Note 34. TAX SETTLEMENTS 61
Note 35. EVENTS SUBSEQUENT TO THE REPORTING DATE 62

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

CONTINUING OPERATIONS	Note	Year ended December 31st 2017	Year ended December 31st 2016
Revenue from sale of finished goods		264,230	11,438
Revenue from sale of merchandise and materials		33	5
Revenue	*1*	**264,263**	**11,443**
Cost of finished goods sold	3	-214,050	-9,148
Cost of merchandise and materials sold		-29	-4
Cost of sales		**-214,079**	**-9,151**
Gross profit/(loss)		**50,184**	**2,292**
Other income	*4*	8,120	407
Distribution costs	*3*	-13,646	-
Administrative expenses	*3*	-21,428	-3,820
Other expenses	*4*	-9,741	-1,304
Operating profit/(loss)		**13,488**	**-2,425**
Finance income	*5*	15,831	13,105
Finance costs	*5*	-8,563	-19,105
Profit/(loss) before tax		**20,757**	**-8,425**
Income tax	*6*	-4,258	6,426
Net profit/(loss) from continuing operations		**16,499**	**-1,999**
DISCONTINUED OPERATIONS			
Net profit/(loss) from discontinued operations		-	-
Net profit/(loss) for the year		**16,499**	**-1,999**
OTHER COMPREHENSIVE INCOME:			
Cash flow hedges		5,455	-
Income tax on other comprehensive income		-1,037	-
Other comprehensive income, net		**4,419**	**-**
Total comprehensive income		**20,918**	**-1,999**
Earnings/(loss) per share (PLN):	*7*		
- basic and diluted, from net profit/(loss)		1.60	-0.19

Date: April 26th 2018

Person responsible for accounting books:	Paweł Wyrzykowski	Sławomir Woźniak	Bartosz Klinowski
Krzysztof Opszalski	*President of the Management Board*	*Vice President of the Management Board*	*Member of the Management Board*

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	December 31st 2017	December 31st 2016
Non-current assets			
Property, plant and equipment	*9*	58,566	1,504
Investment property		371	
Intangible assets	*10*	36,268	9,759
Long-term receivables	*15*	4,532	4,388
Investments in subsidiaries, jointly controlled entities and associates	*11*	61,161	109,020
Deferred tax assets	*6*	28	6,021
Other financial assets	*16*	1,983	67
		162,908	**130,759**
Current assets			
Inventories	*13*	22,242	100
Trade receivables	*15*	45,380	7,086
Income tax assets	*15*	16	
Other short-term receivables	*15*	9,671	57
Cash and cash equivalents	*19*	30,913	1,368
Other financial assets	*16*	6,329	1,071
Current prepayments and accrued income	*17*	2,669	156
Contract settlement	*14*	73,131	-
		190,349	**9,839**
Assets held for sale		**-**	**-**
TOTAL ASSETS		**353,257**	**140,598**

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN ‘000)

	Note	December 31st 2017	December 31st 2016
Equity			
Share capital	*19*	3,616	3,616
Statutory reserve funds	*19*	114,460	97,674
Hedging reserve	*19*	2,106	-
Capital reserves	*19*	10,088	9,284
Retained earnings / accumulated losses	*19*	37,359	-1,999
		167,269	**108,576**
Non-current liabilities			
Borrowings	*19*	7,885	15,517
Other financial liabilities	*16*	3,030	118
Deferred tax liabilities	*6*	-	-
Provision for retirement and similar benefits	*22*	838	-
Deferred income	*23*	12,793	3,473
		24,546	**19,108**
Current liabilities			
Borrowings	*20*	62,953	8,961
Other financial liabilities	*16*	1,058	188
Trade payables	*21*	28,518	1,132
Other current liabilities	*21*	9,853	945
Income tax payable	*21*	-	0
Provision for retirement and similar benefits	*22*	6,346	1,344
Other provisions	*22*	2,738	0
Deferred income	*23*	1,015	344
Contract settlement	*14*	48,603	
		161,082	**12,914**
TOTAL EQUITY AND LIABILITIES		**353,257**	**140,598**

Date: April 26th 2018

Person responsible for accounting books:	Paweł Wyrzykowski	Sławomir Woźniak	Bartosz Klinowski
Krzysztof Opszalski	*President of the Management Board*	*Vice President of the Management Board*	*Member of the Management Board*

SEPARATE STATEMENT OF CASH FLOWS

(PLN '000)

	Note	Year ended December 31st 2017	Year ended December 31st 2016
OPERATING ACTIVITIES			
Profit/(loss) before tax		**20,757**	**-8,425**
Total adjustments:	*24*	**-5,213**	**5,119**
Depreciation and amortisation		6,436	1,422
Foreign exchange gains/(losses)		-98	66
Interest and profit distributions (dividends)		1,838	-12,040
Gain/(loss) on investing activities		-1,281	17,414
Change in provisions		-535	-948
Change in inventories		-419	- 100
Change in receivables		16,965	-1,560
Change in current liabilities (other than financial liabilities)		-7,064	624
Net change in accruals and deferred income		-13,750	-329
Change in currency of forward transactions		-8,108	-
Other adjustments (management stock options)		804	571
Income tax (paid)/refunded		**1,585**	- 379
Net cash from operating activities		**17,130**	**-3,686**
INVESTING ACTIVITIES			
Cash provided by investing activities		**4,010**	**26,629**
Proceeds from disposal of intangible assets and property, plant and equipment		250	125
Dividends and profit distributions received		-	22,412
Decrease in loans advanced		3,760	2,538
Proceeds from sale of shares in subsidiaries		-	1,553
Cash used in investing activities		**33,374**	**16,239**
Investments in intangible assets, property, plant and equipment, and investment property		14,327	347
Acquisition of related entities		18,046	13,980
Loans granted		1,000	1,912
Net cash from investing activities		**-29,363**	**10,390**
FINANCING ACTIVITIES			
Cash provided by investing activities		**45,879**	**71**
Net proceeds from issue of shares or other equity instruments, and contributions to equity		-	71
Borrowings		45,879	-
Cash used in investing activities		**21,653**	**12,988**
Purchase of own shares		-	-
Dividends and other distributions to owners		4,947	3,007
Repayment of borrowings		13,725	8,839
Payment of finance lease liabilities		1,042	121

Interest paid	1,939	1021
Net cash from financing activities	**24,226**	**-12,917**

Total net cash	**11,992**	**-6,213**
Net change in cash, including:	**29,545**	**-6,200**
- effect of exchange rate fluctuations on cash held	-136	16
Cash at beginning of period	**1,368**	**7,565**
Cash acquired from merger with SECO/WARWICK Europe	17,688	-
Cash at end of period	**30,913**	**1,368**

Date: April 26th 2018

Person responsible for accounting books:	Paweł Wyrzykowski	Sławomir Woźniak	Bartosz Klinowski
Krzysztof Opszalski	*President of the Management Board*	*Vice President of the Management Board*	*Member of the Management Board*

SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Revaluation reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
Note	*19*	*19*	*19*	*19*	*19*	
As at January 1st 2017	**3,616**	**97,674**	**0**	**9,284**	**-1,999**	**108,576**
Profit/(loss) for the year	-	-	4,419	-	16,499	20,918
Comprehensive income for the year	-	-	4,419	-	16,499	20,918
Coverage of loss brought forward	-	-	-	-	-	-
Dividend	-	-	-	-	-4,947	-4,947
Cancellation of treasury shares	-	-	-	-	-	-
Transfer of statutory reserve funds to retained earnings/deficit	-	-6,946	-	-	6,946	-
Business combinations	-	23,732	-2,313	-	20,859	42,278
Management stock options	-	-	-	804	-	804
As at December 31st 2017	**3,616**	**114,460**	**2,106**	**10,088**	**36,900**	**167,629**
As at January 1st 2016	**3,704**	**126,900**	**-**	**24,230**	**-41,895**	**112,940**
Profit/(loss) for the year	**-**	-	-	-	-1,999	**-1,999**
Comprehensive income for the year	**-**	**-**	**-**	**-**	**-1,999**	**-1,999**
Coverage of loss brought forward	-	-41,895		-	41,895	**0**
Dividend	-	-3,007		-	-	**-3,007**
Cancellation of treasury shares	-88	-		88	-	**-**
Transfer from capital reserve to statutory reserve funds	-	15,705		-15,705	-	**-**
Disposal of own shares	-	-29		100	-	**71**
Management stock options	-	-		571	-	**571**
As at December 31st 2016	**3,616**	**97,674**	**0**	**9,284**	**-1,999**	**108,576**

Date: April 26th 2018

Person responsible for accounting books:	Paweł Wyrzykowski	Sławomir Woźniak	Bartosz Klinowski
Krzysztof Opszalski	*President of the Management Board*	*Vice President of the Management Board*	*Member of the Management Board*

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2017

I. General information

1. Company data

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 financial 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 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 No.	KRS 0000271014
Industry Identification Number (REGON)	970011679

The company is the parent of the SECO/WARWICK Group.

2. Duration

The company has been established for an indefinite period.

3. Presented periods

These separate financial statements contain data for the period January 1st–December 31st 2017. The comparative data is presented as at December 31st 2016 (statement of financial position) and for the period January 1st– December 31st 2016 (statement of comprehensive income, statement of cash flows, and statement of changes in equity).

4. Management and Supervisory Boards of SECO/WARWICK S.A.

As at December 31st 2017, the SECO/WARWICK S.A. Management Board was composed of:

- Paweł Wyrzykowski – President of the Management Board
- Sławomir Woźniak – Member of the Management Board
- Bartosz Klinowski – Member of the Management Board.

As at December 31st 2017, the SECO/WARWICK S.A. Supervisory Board was composed of:

- 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 2016, the SECO/WARWICK S.A. Supervisory Board was composed of:

- 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.

Changes in the composition of the Supervisory and Management Boards:

During the financial year:

There were changes in the composition of the Management Board. On August 31st 2017, the SECO/WARICK S.A. Management Board was notified of Mr Wojciech Peret's resignation as Member of the Management Board. For details, see Current Report No. 17/2017. In 2017, the composition of the Supervisory Board did not change.

As at the date of publication of this report:

There were changes in the composition of the Supervisory Board. Mr. Paweł Tamborski resigned from the position of Member of the Supervisory Board on February 16, 2018. On April 11, 2018, Mr. James A. Goltz by resolution No. 10 of the Extraordinary General Meeting of SECO / WARWICK S.A. was dismissed from the function of a member of the Supervisory Board and Mr. Jacek Tucharz by resolution No. 18 of the Extraordinary General Meeting of SECO / WARWICK S.A. he was appointed to act as a member of the Supervisory Board. After December 31,2017, the composition of the Management Board did not change.

5. Auditors

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

6. Significant shareholders

Shareholders holding over 5% of the total voting rights as at December 31st 2017 are listed in the table below.

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	34.92%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	11.58%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,046,573	10.16%	1,046,573	10.79%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.57%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	6.19%
Metlife OFE	577,470	5.61%	577,470	5.95%

The data 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.

7. Subsidiaries and affiliates

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

- 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.,
- ACE THERMAL TECHNOLOGIES PRIVATE LIMITED
- 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
- SECO/WARWICK Systems and Services India PVT. Ltd.

The Group has one associate:

- OOO SCT (Solnechnogorsk) Russia, in which SECO/WARWICK S.A. holds a 50% interest, conferring the right to 50% of the total voting rights in the company.

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:

Financial year	**Year ended December 31st 2017**	**Year ended December 31st 2016**
Average exchange rate for the period*	4.2447	4.3757
Exchange rate effective for the last day of the period	4.1709	4.4240

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

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

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

Financial highlights	**2017**	**2016**	**2017**	**2016**
	(PLN '000)		(EUR '000)	
Revenue	264,263	11,443	62,258	2,615
Cost of sales	-214,079	-9,151	-50,435	-2,091
Operating profit/(loss)	13,488	-2,425	3,178	-554
Profit/(loss) before tax	20,757	-8,425	4,890	-1,925
Net profit/(loss)	16,499	-1,999	3,887	-457
Net cash flows from operating activities	17,130	-3,686	4,036	-842
Net cash flows from investing activities	-29,363	10,390	-6,918	2,374
Net cash flows from financing activities	24,226	-12,917	5,707	-2,952
	Dec 31 2017	**Dec 31 2016**	**Dec 31 2017**	**Dec 31 2016**
Total assets	353,257	140,598	84,696	31,781
Total liabilities	185,628	32,022	44,506	7,238
Including current liabilities	161,082	12,914	38,621	2,919
Equity	167,629	108,576	40,190	24,542
Share capital	3,616	3,616	867	817

III. Authorisation of the financial statements

The Management Board authorised these financial statements for issue on April 26th 2018.

IV. Compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). As at the date of authorisation of these financial statements for issue, given the ongoing process of implementing the IFRS standards in the EU and the Company's business, within the scope of accounting policies applied by the Company there were no differences between the IFRS which were in effect and the IFRS endorsed by the EU.

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

These separate financial statements of the Company should be read in conjunction with the consolidated financial statements authorised for issue by the Management Board and published on the same day as the separate financial statements to obtain full information on the assets and financial position of the Group as at December 31st 2017 and the financial result for the period from 1 January to 31 December 2017 in accordance with the International Financial Reporting Standards approved by the European Union.

V. Going concern assumption

These financial statements have been prepared on the assumption that the Company would continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. December 31st 2017. As at the date of authorisation of these financial statements, the 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 an intended or forced discontinuation or material limitation of the existing business.

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

These 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 generally determined on the basis of fair value of the consideration paid for the goods or services.

Fair value is the price that can be obtained from selling an asset or paid to transfer a liability in an arm's length transaction in the main (or most advantageous) market at the measurement date and under current market conditions, irrespective of whether the price is directly observable or estimated using a different measurement technique. When measuring an asset or liability at fair value, the Group takes into account the characteristics of the asset or liability if market participants take these characteristics into account when measuring the assets or liabilities at the measurement date.

These financial statements are presented in the złoty ("PLN"), and unless specified otherwise, all amounts are given in thousands of PLN. Any differences between the total amounts and the sum of their components are due to rounding.

Summary of material accounting policies

<u>Presentation of the statement of financial position</u>

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.

<u>Presentation of the statement of comprehensive income</u>

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 Company recognises assets which are identifiable (separable or saleable), are controlled by the entity and are highly probable to bring future economic benefits to the entity.

Intangible assets comprise mainly software and development costs and are initially measured at cost including purchase price, import duties, non-refundable purchase taxes, less discounts and rebates, and increased by expenditure directly attributable to preparing the asset for its intended use.

To determine whether an internally generated intangible asset meets the criteria for recognition as an asset, an entity divides the generation of the asset into two stages:

- research stage,
- development stage.

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

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

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

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

Item	Capitalised development costs	Patents and licences	Software
Useful life	5–15 years	5–10 years	5–15 years
Amortisation method	Amortised using straight-line method after completion of work	Amortised over contract 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 charges are calculated 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 contracts 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 instalment, while the excess (finance costs) 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 net proceeds from the disposal, if any, and the carrying amount of the asset, and are recognised in profit or loss.

Tangible assets under construction

Tangible assets under construction include expenditures on property, plant and equipment that are not yet ready for use and are highly probable to 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 shares in related entities, loans and receivables, and cash and cash equivalents.

Financial liabilities include borrowings, other financing, overdraft facilities, trade payables, liabilities to suppliers of tangible assets, and lease liabilities.

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

Recognition and measurement of financial assets

Upon initial recognition, financial assets are measured at fair value plus, in the case of investments that are not measured at fair value through profit or loss, transaction costs directly attributable to them.

Shares in related parties

Shares in subsidiaries, associates and joint ventures are recognised at historical cost, net of impairment losses.

Loans advanced

Loans advanced and recognised and disclosed at the amounts originally agreed in the loan agreement, net of any impairment losses.

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, an increase in receivables as a result of the passage of time is recognised as finance income.

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

Cash and cash equivalents

Cash and cash equivalents are held primarily to meet the Company's short-term cash requirements and not for investment or other purposes.

Cash and cash equivalents include cash in bank accounts, cash in hand, as well as all liquid instruments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Recognition and measurement of financial liabilities

Liabilities under bank loans and other financial liabilities

Liabilities under bank loans and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Transaction costs directly attributable to the acquisition or issue of a financial liability are added to the carrying amount of the liability because the liability is initially recognised at the fair value of the consideration paid or received to settle the liability. Subsequently, these costs are amortised over the life of the liability using the effective interest method.

Trade payables

Short-term trade payables are recognised at amounts due.

Hedge accounting

Balance sheet valuation of derivative instruments is recognized in the Company's equity. When the transaction for which the foreign exchange forward contract is concluded has an impact on the profit and loss account - the valuation originally recognized in equity is reclassified to the profit and loss account.

The company assumed that due to the fact that derivative instruments are concluded under concluded contracts for the implementation of long-term contracts (settled by the cost-of-completion level), the transaction affects the profit and loss account in proportion to the percentage of completion of a given contract.

There are three types of hedging relationships:

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 specific risk and could affect the statement of comprehensive income;

b) 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) hedge of net assets in a foreign operation as defined in IAS 21.

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

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. The 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 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 be highly effective in all the reporting periods for which the hedge was designated.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Furthermore, slow-moving inventory, obsolete inventory or inventory whose usability has been impaired in any way are revalued as at the end of each financial year. If the circumstances which caused the decrease in the value of inventories cease to exist, the write-down is reversed.

The effects of measurement to the net selling price are charged to the cost of own products sold.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be offset. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect profit/loss before tax nor taxable income/tax loss. In addition, no deferred tax is recognised if the temporary differences arise on initial recognition of goodwill.

A deferred tax liability is recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the Company 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 resulting from negative temporary differences related to such investments and shares are recognized only to the extent that it is probable that there will be sufficient taxable profits, on the basis of which it will be possible to use tax benefits resulting from temporary differences and that it is expected that the temporary differences will be reversed in the foreseeable future.

The carrying amount of a deferred tax asset is 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 all or part of the deferred tax asset to be utilised. An unrecognised deferred tax asset is reassessed at each reporting date and is recognised to the extent that it is probable that future taxable profit will be available against which the asset can be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or whose future effect is certain as at the reporting date.

The Company offsets deferred tax assets against deferred tax liabilities only if it has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax is attributable to the same taxable entity and the same taxation authority.

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes, with the effect being lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents which could be followed. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretations of tax regulations, both between various public authorities and between public authorities and businesses.

Tax settlements and other areas of activity (e.g. customs or foreign exchange control) may be subject to inspections by authorities that are entitled to impose high fines and penalties, and any additional tax liabilities resulting from such inspections must be paid with high interest. Consequently, tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On July 15th 2016, amendments were made to the Tax Law reflecting the provisions of the General Anti-Abuse Rule (GAAR). GAAR is intended to prevent the creation and use of abusive arrangements to avoid paying taxes in Poland. GAAR defines tax evasion as measures taken primarily for the purpose of achieving a tax benefit which in the given circumstances is contrary to the object and purpose of tax laws. In accordance with GAAR, no tax advantage can be obtained through an arrangement which is abusive. Any arrangements involving (i) separation of transactions or operations without a sufficient rationale, (ii) engaging intermediaries where no business or economic rationale exists, (iii) any offsetting elements, and (iv) any arrangements that operate in a similar way, may be viewed as an indication of the existence of an abusive arrangement subject to GAAR. The new regulations will require much more judgement to be exercised when assessing the tax consequences of particular transactions.

The GAAR clause should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date but the benefit of the tax advantage obtained through the arrangement continued or still continues after that date. After the new regulations are implemented, Polish tax inspection authorities will be able to challenge certain legal agreements and arrangements made by taxpayers, such as corporate restructurings.

The Company discloses and measures current and deferred assets or liabilities in compliance with the requirements of IAS 12 *Income Taxes*, based on the taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into consideration uncertainties related to tax settlements.

Whenever there is uncertainty as to whether and to what extent a tax authority would accept a tax settlement, the Company discloses such settlement taking into consideration the assessed uncertainty.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Company expects that the costs covered by the provision will be reimbursed, e.g. under an insurance agreement, then such reimbursement is recognized as a separate asset, but only when it is practically certain that such reimbursement will actually take place.

Costs related to a given provision are disclosed in the statement of comprehensive income net of all reimbursements. If the effect of the time value of money is material, the amount of provision is determined by discounting the forecast future cash flows to their present value using a gross discount rate reflecting current market estimates of the time value of money and the possible risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

Estimates of the financial result and impact are based on the judgement of the management of the companies, supported by their past experience with similar transactions and, in some cases, by reports of independent experts.

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

The Company recognises the following provisions:

- provision for warranty repairs – on the basis of the historical cost of warranty repairs;

- provision for probable costs related to the current financial year which will be invoiced only 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;

Assumptions underlying the estimates and the provision amounts are reviewed as at each reporting date.

Employee benefits

The Company recognises the following employee benefits provision:

- provision for accrued holiday entitlements – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay;
- provision for employee benefit obligations – bonus payments, salaries and wages;

Accruals and deferred income

Contract settlement

Contract-related prepayments and accrued income include any excess of estimated revenue related to the stage of completion of a long-term contract, in accordance with IAS 11, over prepayments received and aggregate amount invoiced under the contract.

Contract-related accruals and deferred income include probable values of current-period liabilities arising in particular under:

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

Deferred income

Deferred income includes, in particular, government grants to finance assets and revenues.

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 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

The Company recognizes revenue in accordance with IAS 18 and IAS 11. In accordance with IAS 18, revenues from the sale of products, goods, materials and services, net of VAT, rebates and discounts are recognized when significant risks and benefits arise their property has been transferred to the buyer. However, in accordance with IAS 11, in the settlement of long-term contracts, the Company applies the method of percentage progress of works. The use of this method requires the Company to estimate the proportion of work done so far to all services to be performed.

Functional currency and presentation currency

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 zloty (PLN), which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from changes in the carrying amounts of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

VII. Material judgements and estimates

The preparation of the Company's financial statements requires the Management Board to make judgments, estimates and assumptions that affect the presented income, costs, assets and liabilities and related notes and disclosures about contingent liabilities. Uncertainty about these assumptions and estimates may result in significant adjustments to the carrying amount of assets and liabilities 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 Company reviews the useful lives of its assets annually, on the basis of current estimates.

Depreciation/amortisation charges for assets used under finance lease contracts

Depreciation/amortisation charges for items of property, plant and equipment and intangible assets used under finance lease contracts are determined based on their expected useful lives, which is consistent with the depreciation/amortisation policy applied with respect to assets owned by the Group. The Company does not apply useful lives equal to the contract term. The Company assumes that leased assets must be purchased upon expiry of the lease.

Loss of value of involvement in subsidiaries

The company carried out tests for impairment of involvement in subsidiaries. It required the estimation of the value in use of the cash-generating unit. The estimation of value in use consists in determining future cash flows generated by the cash-generating unit and requires determining the discount rate to be used in order to calculate the current value of these cash flows. The assumptions adopted for this purpose are presented in the note.

Deferred tax assets

The Company recognizes deferred tax assets in respect of all temporary differences in the amount in which it is probable that taxable income will be generated allowing them to be used.

Provision for accrued holiday entitlements

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

Provision for old-age and disability retirement benefits

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

Provision for warranty repairs

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

Long-term contracts

To account for long-term contracts, the Company applies the provisions of IAS 11 *Construction Contracts*. When the outcome of a construction contract can be measured 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 Company's best estimate.

At the end of each reporting period, the Company estimates the result on 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 loss is determined irrespective of: whether or not work has commenced on the contract, the stage of contract completion, or the amount of profits expected to arise on other contracts which are not treated as single construction contracts in accordance with IAS 11:9.

The Company applies the above rules to settle commercial contracts executed in the course of the Company's principal business where the contract term exceeds three months and the contract total value is significant from the point of view of reliability of the financial statements (revenue, costs, and financial result). The Group recognises only documented revenue, i.e. revenue which is guaranteed under the original contract, adjusted to account for any subsequent amendments (annexes). Changes in contract revenue are recognised when it is certain (the contract or its annexes) or at least when it is probable (initialled annexes or initialled contracts) that the customer will accept the changes and the amounts of revenue resulting from those changes, and when the value of that revenue can be measured reliably.

The stage of contract completion 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.

Revenue as at the end of the reporting period is determined based on the percentage of contract completion, net of any revenue which affected the financial result in previous reporting periods. For contracts for which the price is determined in a currency other than functional, the revenue at the end of the period is estimated using the "stepped" method. The conversion takes into account the level of completion of the contract in the order of the currency rate from partial invoicing, unsettled advances received from the recipient to the contract, and then the balance sheet rate (average NBP rate). Estimated contract revenue attributable to a 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 contracts.

Any excess of prepayments 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, prepayments reduce the receivables under settlement of long-term contracts.

Any excess of invoiced revenue is recognised under contract settlement.

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. The resulting gains or losses are recognised directly in profit or loss, unless the instrument is used as a hedging instrument. In such a case, the moment of recognition depends on the nature of the hedging relationship.

VIII. Changes in accounting policies

The accounting principles (policy) applied to prepare these financial statements are consistent with those applied to prepare the Company's financial statements for the year ended December 31st 2016, save for the following. Amendments to the IFRS presented below were applied in these consolidated financial statements as of their effective dates. However, they had no material effect on the disclosed financial information, they did not apply to transactions executed by the Company:

- Amendments to IAS 12 *Recognition of Deferred Tax Assets in respect of Unrealised Losses*

  The amendments clarify the issues relating to the occurrence of negative temporary differences in the case of debt instruments measured at fair value, the estimation of probable future taxable income and the assessment whether the generated income will allow the negative temporary differences to be realised. The amendments apply retrospectively.

- Amendments to IAS 7 *Disclosure Initiative*

  The amendments require an entity to disclose information that enables users of financial statements to evaluate changes in liabilities resulting from financing activities. Comparative information is not required for prior periods.

- Amendments to IFRS 12 *Disclosure of Interests in Other Entities* as part of *Annual Improvements to IFRS Standards 2014–2016*

  The amendments clarify that the requirements specified in the standard also apply to an entity's shares in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates or non-consolidated structured entities that are classified (or included in a disposal group that has been classified) as held for sale or discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The Company 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.

IX. 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* (published on January 30th 2014) - effective for annual periods beginning on or after January 1st 2016;
- 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) − effective date deferred indefinitely by the IASB;
- IFRS 16 *Leases* (published on January 13th 2016) - effective for annual periods beginning on or after January 1st 2019;
- 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;
- 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;
- 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;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* as part of *Annual Improvements to IFRS Standards 2014–2016* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018.
- Amendments to IAS 1 *First-time Adoption of International Financial Reporting Standards* as part of *Annual Improvements to IFRS Standards 2014–2016* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 40: *Transfer of Investment Property* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018;
- IFRS 17 *Insurance Contracts* (issued on January May 18th 2017) – effective for annual periods beginning on or after January 1st 2021;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on June 7th 2017) – effective for annual periods beginning on or after January 1st 2019;
- IFRS 9 *Financial Instruments* (issued on October 12th 2017) − effective for annual periods beginning on or after January 1st 2019;
- Amendments to IAS 28 *Long-Term Interests in Associates and Joint Ventures* (issued on October 12th 2017) - applicable to annual periods beginning on or after January 1st 2019;
- *Annual Improvements to IFRS Standards 2015-2017* (issued on December 8th 2017) – effective for annual periods beginning on or after January 1st 2019;

- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (published on February 7th 2018) – effective for annual periods beginning on or after January 1st 2019;
- Amendments to the *Conceptual Framework for Financial Reporting* (published on March 29th 2018) – effective for annual periods beginning on or after January 1st 2020.

Effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Board. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are published at the time of approval for application by the European Union.

X. Impact assessment of IFRS 15

IFRS 15 "Revenues from contracts with customers". The standard was published on May 28, 2014 and applies to reporting periods beginning on January 1, 2018 or later. This standard was adopted by the European Union on September 22, 2016.

IFRS 15 is the subject of a dedicated project launched within the Group. The completed work confirms the expected effect of applying IFRS 15 for the first time. The impact of the standard on the Company mainly refers to:

a) recognition of revenues from long-term contracts carried out in time or at a specific moment

b) recognition of a warranty provision related to the contracts being performed

c) identification of a significant element of financing contracts

The standard will be applied by the Company using the "modified retrospective method" in which the cumulative effect of applying the standard is recognized for the first time as a contractual asset, contractual obligation, reserves under the guarantee and retained earnings as at the date of the first application of the standard, ie January 1, 2018 . "Modified retrospective method" is one of the possible methods permitted by IFRS 15.

The application of IFRS 15 will result in the recognition of a profits retained in the amount of PLN -0,8 million. IFRS 15 has no impact on the Company's financial results for 2017 due to the use of the "modified retrospective method".

XI. Impact assessment of IFRS 9

The IFRS 9 standard was published on July 24, 2014 and applies to annual reporting periods beginning on January 1, 2018 or later. The standard was adopted by the European Union on November 22, 2016. In general (apart from a few limited redundancies), the standard applies retrospectively in relation to classification, measurement and impairment and prospective in relation to hedge accounting. IFRS 9 modifies the recognition criteria in the books of hedging transactions and major categories of financial assets and liabilities. Due to the type of transactions in the Company, no significant changes are expected in this respect. IFRS 9 also requires changes in terms of impairment by adequately modeling "expected losses" instead of "losses incurred". The Management Board believes that the application of the standard will not have a material impact on the financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2017

Note 1. REVENUE AND TOTAL INCOME

Revenue from sales and total income of the Company:

Item	2017	2016
Sales of products and services	264,230	11,438
Sales of merchandise and materials	33	5
Revenue	**264,263**	**11,443**
Other income	8,120	407
Finance income	15,831	13,105
Total revenue	**288,214**	**24,955**

There were no revenues from discontinued operations.

Note 2. OPERATING SEGMENTS

Information on particular operating segments is presented in the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the 12 months ended December 31st 2017).

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Depreciation and amortisation	6,436	1,422
Raw materials and consumables used	123,968	315
Services	60,377	3,172
Taxes and charges	939	22
Salaries and wages	54,144	6,456
Social security and other benefits	11,260	696
Other expenses	13,959	886
Total operating expenses, including:	**271,083**	**12,968**
Distribution costs	-13,646	-
Administrative expenses	-21,428	-3,820
Change in products	-11,656	-
Cost of work performed by entity and capitalised	-10,303	-
Cost of products sold and services rendered	**214,050**	**9,148**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Items recognised as cost of sales	**2,900**	**319**
Depreciation of property, plant and equipment	2,649	317
Amortisation of intangible assets	250	2
Items recognised as distribution costs	**2,730**	**-**
Depreciation of property, plant and equipment	1,218	-
Amortisation of intangible assets	1,512	-
Items recognised as administrative expenses	**756**	**1,102**

Depreciation of property, plant and equipment	518	155
Amortisation of intangible assets	238	947
Items recognised as other expenses	**51**	**-**
Depreciation of investment property	51	-

PERSONNEL COSTS	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Salaries and wages	54,144	6,456
Social security	11,260	643
Other employee benefits	-	53
Total employee benefits expense, including:	**65,405**	**7,151**
Items recognised as cost of sales	42,978	5,823
Items recognised as distribution costs	4,375	-
Items recognised as administrative expenses	18,051	757

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Gain on disposal of non-financial fixed assets	7	34
Reversal of impairment losses on receivables	286	-
Reversal of provisions for costs related to penalties on a construction contract	600	-
Adjustment of depreciation/amortisation of co-financed assets	1,001	344
Penalties and compensation/damages received	3,367	-
Income from lease of tangible assets and investment property	1,013	-
Revenues from the sale of scrap metal	179	-
The agreement for transfer claims	245	-
Revenues from invoicing the related parties	619	-
Other	803	28
Total other income	**8,120**	**407**

OTHER EXPENSES	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Impairment losses on receivables	3,485	1,127
Inventory write-downs	1,931	-
Provisions recognised for the costs of a construction contract	3,170	-
Donations	5	2
Withholding tax	20	149
The agreement for transfer claims	204	-
Costs related to renting	257	-
Other	668	26
Total other expenses	**9,741**	**1,304**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Interest income	149	105
Gain on derivative instruments at maturity	4,475	-
Valuation of derivative instruments	7,532	-
Dividends received	-	13,000
Reversal of impairment loss on shares (1)	3,675	-
Other	-	-
Total finance income	**15,831**	**13,105**

FINANCE COSTS	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Interest paid	2,063	1,048
Net foreign exchange losses	3,217	239
Impairment losses on shares	-	14,548
Impairment loss on loans (2)	3,282	2,003
Cancellation of loan	-	912
Other	-	355
Total finance costs	**8,563**	**19,105**

(1) In 2017, the reversal of impairment loss on shares applies to the subsidiary SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,

(2) In 2017, the impairment loss on loans applies to SECO / WARWICK RUS in amount 1,244 thousand PLN and SECO / WARWICK Germany GmbH in amount 2,038 thousand PLN.

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2017 and December 31st 2016 were as follows:

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1– Dec 31 2017	Jan 1– Dec 31 2016
Current income tax	**158**	**3**
Current income tax expense	-	-
Adjustments to current income tax for previous years	158	3
Deferred income tax	**4,100**	**-6,430**
Income tax disclosed in profit or loss	**-4,258**	**6,426**
Income tax on other comprehensive income	**1,037**	**-**

CURRENT INCOME TAX	2017	2016
Net profit/(loss) before tax	**20,757**	**-8,425**
Income excluded from taxation and previous years' income increasing tax base	-66,397	-13,714
Non-tax deductible costs and costs of previous years reducing tax base	47,600	-3,833
Tax profit/(loss)	**1,960**	**-25,973**
Deductions from income – charitable donation, loss	-1,446	-

R&D relief, donations	-514	-
Tax base	**0**	**-25,973**
Income tax at 19%	-	-
Tax deduction	-	-
Income tax payable	-	-
Effective tax rate (share of income tax in profit before tax)	**-**	**-**

The current portion of income tax was determined at the rate of 19% of the tax base.

Item	Dec 31 2017		Dec 31 2016	
	carrying amount	***amount recognised in the statement of comprehensive income***	***carrying amount***	***amount recognised in the statement of comprehensive income***
	Deferred tax liabilities			
Accelerated tax depreciation/amortisation	6,426	329	1,411	-49
Settlement of long-term contracts	7,082	18	-	-
Measurement of forward contracts	1,240	732	-	-
Other	231	-567	77	-49
Deferred tax liabilities	**14,978**	**511**	**1,487**	**-99**
	Deferred tax assets			
Provision for disability severance payments and retirement bonuses	164	47	-	-
Provision for length-of-service awards and bonuses	833	74	190	-22
Provision for accrued holiday entitlements	368	47	65	-6
Provision for losses on contracts	642	44	-	-
Other provisions	196	-843	-	-
Tax losses to be settled	6,185	-275	6,046	6,460
Settlement of long-term contracts	3,111	-3,258	-	-
Foreign exchange losses	375	98	170	-66
Salaries, wages and social security contributions payable in subsequent periods	277	144	28	-6
Grant for development work	900	17	537	3
Lease liabilities	773	248	58	-32
Impairment losses on receivables	1,104	1,060	-	-
Measurement of forward contracts	4	-699	-	-
Other	74	-293	-	-
Deferred tax assets	**15,006**	**-3,588**	**7,509**	**6,331**

Note 7. EARNINGS PER SHARE

Item	Dec 31 2017	Dec 31 2016
Net profit/(loss) from continuing operations	16,499	-1,999
Net profit/(loss) from discontinued operations	-	-

Net profit/(loss) for the year	**16,499**	**-1,999**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	10,298,554	10,660,812
Earnings per share	**1,60**	**-0.19**
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	10,298,554	10,660,812
Diluted earnings per share	**1,60**	**-0.19**

Note 8. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

On May 26th 2017, the Annual General Meeting of SECO/WARWICK S.A. passed Resolution No. 20 to pay PLN 4,947,027.54 (four million, nine hundred and forty-seven thousand, twenty-seven złoty, fifty-four grosz) as dividend for 2016. Dividend per share was PLN 0.51. The dividend record date and the dividend payment date were July 4th 2017 and July 18th 2017, respectively.

Note 9. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2017

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Gross carrying amount as at Jan 1 2017	**50**	**1,264**	**739**	**1,438**	**104**	**3,594**
Increase, including:	**1,004**	**32,014**	**29,541**	**7,514**	**3,805**	**73,878**
acquisition	-	1,407	2,312	139	1,312	5,170
finance leases	-	-	-	2,214	-	2,214
business combinations	788	30,833	26,910	5,161	2,493	66,185
adjustments of prior years	216	-225	319	-	-	310
Decrease, including:	**-**	**408**	**642**	**1,316**	**1**	**2,367**
disposal	-	-	40	1,227	-	1,267
liquidation	-	138	602	89	1	830
other	-	270	-	-	-	270
Gross carrying amount as at Jan 1 2017	**1,054**	**32,870**	**29,637**	**7,636**	**3,909**	**75,105**
Cumulative depreciation as at Dec 31 2017	**-**	**778**	**425**	**1,010**	**81**	**2,294**
Increase, including:	**-**	**4,812**	**8,970**	**3,141**	**1,407**	**18,330**
depreciation	-	826	2,251	1,111	238	4,425
business combinations	-	3,986	6,717	2,030	1,169	13,903
adjustments of prior years	-	-	2	-	-	2
Decrease, including:	-	**109**	**110**	**1,059**	**1**	**1,279**
disposal	-	-	38	-	1	39
liquidation	-	30	72	986	-	1,088
other	-	-	-	72	-	72
adjustments of prior years	-	79	-	-	-	79

Cumulative depreciation as at Dec 31 2017	**-**	**5,480**	**9,286**	**3,092**	**1,487**	**19,345**
Impairment losses as at Jan 1 2017	-	-	**-**	-	-	**-**
Impairment losses as at Dec 31 2017	**-**	-	-	-	-	**-**
Net carrying amount as at Dec 31 2017	**1,054**	**27,390**	**20,352**	**4,544**	**2,422**	**55,760**

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	**50**	**1,264**	**718**	**1,891**	**94**	**4,017**
Increase, including:	**-**	**-**	**21**	**90**	**10**	**122**
acquisition	-	-	21	90	10	122
Decrease, including:	**-**	**-**	**-**	**543**	**-**	**543**
disposal	-	-	-	451	-	451
other	-	-	-	92	-	92
Gross carrying amount as at Jan 1 2016	**50**	**1,264**	**739**	**1,438**	**104**	**3,594**
Cumulative depreciation as at Dec 31 2016	**-**	**709.87963**	**332.77314**	**1106.3749**	**77.93782**	**2,227**
Increase, including:	**-**	**68**	**93**	**308**	**3**	**472**
depreciation	-	68	93	308	3	472
Decrease, including:	**-**	**-**	**-**	**405**	**-**	**405**
disposal	-	-	-	328		328
other	-	-	-	77	-	77
Cumulative depreciation as at Dec 31 2016	**-**	**778**	**425**	**1,010**	**81**	**2,294**
Impairment losses as at Jan 1 2016	-	-	-	-	-	**-**
Impairment losses as at Jan 1 2016	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount as at Dec 31 2016	**50**	**486**	**314**	**429**	**23**	**1,301**

OWNERSHIP STRUCTURE – net amount	**Dec 31 2017**	**Dec 31 2016**
Owned	51,688	1,057
Used under lease, tenancy or similar contract	4,072	244
Total	**55,760**	**1,301**

As at December 31st 2017, the Company analysed information from external and internal sources for any indication of impairment. As no indication of impairment of the Company's tangible assets was found, no impairment testing was performed.

Tangible assets under construction

Tangible assets under construction as at Jan 1 2017	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2017*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
203	**8,158**	1,407	2,312	139	1,312	385	**2,805**

Tangible assets under construction as at Jan 1 2016	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*As at Dec 31 2016*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Transferred with organised part of business*	
-	**347**	-	21	90	10	23	**-**

On May 22nd 2013, SECO/WARWICK S.A. executed a USD 3,000 thousand (PLN 12,538 thousand) investment loan agreement with Bank Handlowy w Warszawie S.A. The facility was contracted to finance 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. Zachodnia 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. Zachodnia 76, Świebodzin, Poland, and entered in 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 loan agreement with mBank S.A.The facility was contracted to finance the repurchase of up to 1,500,000 Company 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 2017, the total amount drawn under the facility was PLN 14,205. PLN.

The loan is secured by 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.

Note 10. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net amount	Dec 31 2017	Dec 31 2016
Owned	36,268	9,759
Used under lease, tenancy or similar contract	-	-
Total	**36,268**	**9,759**

As at December 31st 2017 and December 31st 2016, the Company had no intangible assets held for sale.

Changes in intangible assets (by type) in the period January 1st–December 31st 2017

Item	Development expense	Patents and licences, software	Other intangible assets	Total
Gross carrying amount as at Jan 1 2017	**12,467**	**16**	**1,950**	**14,434**
Increase, including:	**25,163**	**4,645**	**4,241**	**34,050**
business combinations	15,793	4,468	4,035	24,296
acquisition	9,370	177	-	9,547
other	-	-	206	206
Decrease, including:	**300**	**-**	**1,236**	**1,536**
other	300	-	1,236	1,536
Gross carrying amount as at Jan 1 2017	**37,331**	**4,662**	**4,955**	**46,948**
Cumulative depreciation as at Dec 31 2017	**3,453**	**102**	**1,215**	**4,675**
Increase, including:	**2,132**	**2,314**	**1,849**	**6,295**
depreciation	1,353	314	334	2,001
revaluation	-	5	885	890
other	778	1,996	630	3,404
Decrease, including:	**25**	**-**	**265**	**-**
other	25	-	265	-
Cumulative depreciation as at Dec 31 2017	**5,560**	**2,321**	**2,799**	**10,680**
Impairment losses as at Jan 1 2017	-	-	-	-
Impairment losses as at Jan 1 2016	-	-	-	-
Net carrying amount as at Dec 31 2017	**31,771**	**2,341**	**2,156**	**36,268**

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

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2016	**12,467**	**306**	**1,638**	**14,411**
Increase, including:	**-**	**23**	**-**	**23**
acquisition	-	23	-	**23**
Decrease, including:	**-**	**-**	**-**	**-**
disposal	-	-	-	**-**
Gross carrying amount as at Jan 1 2016	**12,467**	**328**	**1,638**	**14,434**
Cumulative depreciation as at Dec 31 2016	**2,642**	**39**	**1,044**	**3,724**
Increase, including:	**812**	**63**	**75**	**950**
depreciation	812	63	75	**950**
Decrease, including:	**-**	**-**	**-**	**-**
disposal	-	-	-	**-**
Cumulative depreciation as at Dec 31 2016	**3,453**	**102**	**1,120**	**4,675**
Impairment losses as at Jan 1 2016	-	-	-	**-**
Impairment losses as at Jan 1 2016	-	-	-	**-**
Net carrying amount as at Dec 31 2016	**9,014**	**227**	**518**	**9,759**

Intangible assets are not pledged as security for liabilities.

Note 11. INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Investments in subordinated entities valued at purchase price less write-offs

Shares in subordinated entities	**Dec 31 2017**	**Dec 31 2016**
subsidiaries	61,161	109,020
jointly-controlled entities	-	-
associates	-	-

Change in investments in subsidiaries

Item	**2017**	**2016**
As at beginning of the period	**109,020**	**109,531**
Increase during the period, including:		
- capital increase at SECO/WARWICK do Brasil	-	4,903
- incorporation of SECO/WARWICK USA Holding	-	42
- capital increase at SECO/WARWICK USA Holding	7,555	106
- capital increase at SECO/WARWICK Allied	-	8,930

- capital increase of SECO/WARWICK Retech	3,926	-
- capital increase of SECO/WARWICK GmbH	5,297	-
- incorporation of SECO/WARWICK SYSTEMS AND SERVICES India PVT Ltd	1,268	-
- reversal of impairment loss on investment in SECO/WARWICK Retech	3,675	-
Decrease during the period, including:		
- accounting for the merger of SECO/WARWICK S.A. and SECO/WARWICK Europe	66,962	-
- impairment loss on investment in SECO/WARWICK Corp.	-	-
- impairment loss on investment in SECO/WARWICK Allied	-	8,930
- impairment loss on investment in SECO/WARWICK GmbH	2,618	-
- sale of 100% shares in SECO/WARWICK Brasil	-	5,561
As at end of the period	**61,158**	**109,020**

Shares of other business entities owned by SECO/WARWICK S.A .:

Name	The number of shares [PCS]	Nominal value of sheres [PLN]	The value of shares as of 31/12/2017[thousand PLN]
WSK PZL-Kalisz S.A.	315	10	**3**

Change in investments in jointly-controlled and associated entities

Item	2017	2016
As at beginning of the period	**-**	**4,228**
Increase during the period, including:	**-**	**-**
Decrease during the period, including:	**-**	**4,228**
- impairment loss on investment in OOO SCT	-	4,228
As at end of the period	**-**	**-**

Investments in subsidiaries, jointly controlled entities and associates

As at Dec 31 2017	Gross value of shares	Impairment losses on shares	Carrying amount of equity interests	Ownership interest (%)	% of total voting rights
SECO/WARWICK Corporation	21,806	21,806	-	100%	100%
SECO/WARWICK Rus	172	-	172	100%	100%
Retech Systems LLC	50,863	12,399	38,464	100%	100%
SECO/WARWICK ALLIED	31,261	31,261	-	98%	98%
SECO/WARWICK Retech	7,601	-	7,601	93%	93%
OOO SCT Russia	4,228	4,228	-	50%	50%
SECO/WARWICK GmbH	1,187	1,187	-	100%	100%
SECO/WARWICK Germany GmbH	5,297	2,618	2,679	100%	100%
SECO/WARWICK France	886	-	886	100%	100%
SECO/WARWICK Systems and Services India PVT.	1,268	-	1,268	100%	100%
SECO/WARWICK Service Sp. z o.o.	2,412	26	2,386	100%	100%

SECO WARWICK USA Holding	7,703	-	7,703	100%	100%
SECO VACUUM TECHNOLOGIES	-	-	-	100%	100%

As at Dec 31 2016	Gross value of shares	Impairment losses on shares	Carrying amount of equity interests	Ownership interest (%)	% of total voting rights
SECO/WARWICK EUROPE Sp. z o.o.	70,407	-	70,407	100%	100%
SECO/WARWICK Corporation	21,806	21,806	-	100%	100%
SECO/WARWICK Rus	2	-	2	100%	100%
Retech Systems LLC	50,863	12,399	38,464	100%	100%
SECO/WARWICK ALLIED	31,261	31,261	-	98%	98%
SECO/WARWICK Retech	3,675	3,675	-	90%	90%
OOO SCT Russia	4,228	4,228	-	50%	50%
SECO/WARWICK GmbH	-	-	-	100%	100%
SECO/WARWICK Germany GmbH	-	-	-	100%	100%
SECO/WARWICK France	-	-	-	100%	100%
SECO/WARWICK Service Sp. z o.o.	-	-	-	100%	100%
SECO WARWICK USA Holding	147	-	147	100%	100%
SECO VACUUM TECHNOLOGIES	-	-	-	100%	100%

Note 12. TEST FOR IMPAIRMENT OF SHARES

Tests for impairment of shares

The Parent carried out impairment tests on impairment of involvement in the subsidiaries Retech Systems LLC (Retech), SECO/WARWICK Germany GmbH (SWG), SECO/WARWICK Retech (SWR), SECO/Vacuum Technology (SVT), SECO/WARWICK Systems and Services (SWI), SECO/WARWICK Rus (SW RUS), SECO/WARWICK France (SWF) oraz SECO/WARWICK Services (SWS). As a result of the testing procedures, impairment losses were recognized for two companies. The recoverable amounts attributable to individual cash-generating units were determined based on their calculated value in use.

Cash-generating unit

Value in use was calculated based on the 2018 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	*SWG (Germany)*	*Retech (USA)*	*SWR (China)*	*SVT (USA)*	*SWI (India)*	*SW RUS (Russia)*	*SWF (France)*	*SWS (Poland*
Average discount rate (pre-tax)	13,34%	11,61%	13,71%	11,61%	17,51%	18,23%	13,51%	13,26%
Average revenue growth rate	6,0%	12,7%	5,5%	10,0%	208,1%	8,7%	34,4%	8,6%

Growth rate after the forecast period	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%	1,0%
Recoverable amount	6,358	63,336	22,317	15,808	3,554	3,160	947	15,207
The value of net exposure	8,388	37,817	3,952	7,839	1,263	4,392	900	4,324
Value decrease	2,029	NO	NO	NO	NO	1,232	NO	NO

Other important assumptions for the calculation of the value in use:

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.

Market assumptions - these assumptions are important because, in addition to the use of industry data for growth rates, the management assesses how the assets and financial position of individual cash-generating units may change during the financial period against competitors. The management expects the market share to remain stable over the projection period.

Sensitivity to changes of assumptions

In testing impairment of involvement, the recoverable amount was simulated with changed discount rates in the years 2018-2022 for each company:

Item	*SWG (Germany)*	*Retech (USA)*	*SWR (China)*	*SVT (USA)*	*SWI (India)*	*SW RUS (Russia)*	*SWF (France)*	*SWS (Poland*
				Recoverable amount:				
Discount rates assumed in the test	6,358	63,336	22,317	15,808	3,554	3,160	947	15,207
Discount rates increased by 1%	5,805	58,268	20,369	14,354	3,399	2,987	804	13,853
Discount rates increased by 3%	4,854	50,410	17,269	12,147	3,137	2,691	583	11,716

Note 13. INVENTORIES

Item	Dec 31 2017	Dec 31 2016
Materials (at cost)	17,893	100
Semi-finished products and work in progress	4,349	-
Finished goods	-	-
Merchandise	-	-
Total inventories (carrying amount)	**22,242**	**100**
Write-downs	2,131	-
Gross inventories	**24,373**	**100**

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	**Total**
Jan 1 2016	**-**	**-**	**-**	**-**	**-**
Increase, including:	**-**	**-**	**-**	**-**	**-**
- write-downs recognised in correspondence with other expenses	-	-	-	-	-
Decrease, including:	**-**	**-**	**-**	**-**	**-**
- write-downs reversed in correspondence with other income	-	-	-	-	-
Dec 31 2016	**-**	**-**	**-**	**-**	**-**
Increase, including:	**264**	**1,868**	**-**	**-**	**2,131**
- business combinations	200	**-**	**-**	**-**	**200**
- write-downs recognised in correspondence with other expenses	64	1,868	-	-	1,931
Decrease, including:	**-**	**-**	**-**	**-**	**-**
- write-downs reversed in correspondence with other income	-	-	-	-	-
Dec 31 2017	**264**	**1,868**	**-**	**-**	**2,131**

Note 14. LONG-TERM CONTRACTS

Included in the financial statements at amounts due:	Dec 31 2017	Dec 31 2016
From customers under construction contracts	73,131	-
To customers under construction contracts	-48,603	-

	24,528	-

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 2017 amounted to PLN 250,710 thousand.

As at December 31st 2017, advances received from customers for contract work totalled PLN 136,882 thousand.

Note 15. TRADE AND OTHER RECEIVABLES

Long-term receivables

Item	Dec 31 2017	Dec 31 2016
a) from related entities	-	-
b) from other entities	4,532	4,388
Total long-term receivables	**4,532**	**4,388**

Short-term receivables

Item	Dec 31 2017	Dec 31 2016
a) from related entities	**13,161**	**7,005**
- trade receivables, up to 12 months	11,303	7,005
- other	1,858	-
b) from other entities	**41,905**	**138**
- trade receivables, up to 12 months	34,076	81
- taxes, customs duties, social security and other benefits receivable	3,924	0
- other	3,905	57
Total net trade and other receivables	**55,067**	**7,143**
impairment losses on receivables	8,856	5,257
Total gross trade and other receivables	**63,922**	**12,400**

As at December 31st 2017, trade receivables of PLN 8,856 thousand (2016: PLN 5,257 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised.

Changes in impairment losses on receivables were as follows:

CHANGE IN IMPAIRMENT LOSSE ON TRADE AND OTHER RECEIVABLES	Dec 31 2017	Dec 31 2016
Change in impairment losses in related entities		
At beginning of the period	**4,571**	**7,133**
a) increase:	**2,892**	**1,127**
- trade receivables	2,892	1,127
b) decrease:	**265**	**3,689**
- cancellation of trade receivables	265	3,689
Balance of impairment losses on trade receivables from related entities at end of the period	**7,198**	**4,571**
Change in impairment losses at other entities		

At beginning of the period	**686**	**686**
a) increase, including:	**1,030**	**-**
- business combinations	436	-
- trade receivables	594	-
b) decrease, including:	**58**	**-**
- cancellation of trade receivables	58	-
Balance of impairment losses on trade receivables from other entities at end of the period	**1,658**	**686**
Balance of impairment losses on trade receivables at end of the period	**8,856**	**5,257**

Aging of gross trade receivables:

Item	**Dec 31 2017**	**Dec 31 2016**
current	20,134	4,031
past due more than 1 month, up to 6 months	21,268	3,027
past due over 6 months	3,977	27
Net trade receivables	**45,380**	**7,086**
impairment losses on trade receivables	8,856	5,257
Gross trade receivables	**54,235**	**12,343**

In the years ended December 31st 2017 and December 31st 2016, the Company did not claim any trade receivables in court.

Contingent receivables

As at December 31st 2017, the Company held guarantees for a total amount of PLN 21,139 thousand. As at December 31, 2016, the Company did not hold any guarantees.

Note 16. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced

Item	**Dec 31 2017**	**Dec 31 2016**
Gross loans advanced	4,563	3,962
Impairment losses	3,488	2,824
Net loans advanced	**1,075**	**1,138**
- non-current		67
- current	1,075	1,071

On February 22nd 2017, SECO/WARWICK S.A. granted a PLN 1m loan to SECO/WARWICK Services Sp. z o.o., a subsidiary.

Loans received

In 2017 and 2016, SECO/WARWICK S.A. did not receive any loan.

OTHER FINANCIAL ASSETS AND LIABILITIES

Item	**Dec 31 2017**	**Dec 31 2016**
Derivative financial instruments	7,237	-
Total financial assets, including:	**7,237**	**-**

- non-current	1,983	-
- current	5,254	-

Item	Dec 31 2017	Dec 31 2016
Other financial liabilities:	**4,088**	**306**
- derivative financial instruments	19	-
- lease liabilities	4,069	306
Total financial liabilities, including:	**4,088**	**306**
- non-current	3,030	118
- current	1,058	188

Disclosures of derivative financial instruments which qualify for hedge accounting

As at December 31st 2016, the Company was not a party to any derivative transactions. The Company did not apply hedge accounting.
In 2017, SECO/WARWICK EUROPE S.A. used currency forwards to hedge on average 55% of its export cash flows denominated in EUR, 70% of its cash flows denominated in USD, and 72% of its cash flows denominated in GBP. The purpose was to hedge the budgeted exchange rates for contracts. Any changes in the value of EUR-, USD- or GBP-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 measurement 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 table below presents total values of hedging relationships open as at December 30th 2017.

Dec 29 2017	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 29 2016	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	56,085	30,490	23,211	3,803	2,492	1,311	from Jan 15 to Sep 30 2018

Dec 29 2017	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 29 2016	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	50,566	32,214	11,614	2,014	803	1,211	from Jan 31 2018 to Jan 31 2019

Dec 29 2017	Notional amount of contract (CZK '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 29 2016	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	31,000	31,000	27,900	68	1	67	from Jan 30 2018 to Apr 27 2019

Dec 29 2017	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 29 2017	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	1,355	940	550	41	31	10	from Sep 28 2017 to Jan 31 2018

Note 17. OTHER NON-FINANCIAL ASSETS

Item	Dec 31 2017	Dec 31 2016
Insurance policies	952	32
Subscriptions	2	2
VAT to be settled in the following period	948	64
Lease of software	539	23
Other	227	35
Total current prepayments and accrued income	**2,669**	**156**

Note 18. CASH AND CASH EQUIVALENTS

Item	Dec 31 2017	Dec 31 2016
Cash at banks and cash in hand	29,580	891
Short-term deposits	1,332	478
Total cash and cash equivalents	**30,913**	**1,368**

Note 19. SHARE CAPITAL AND STATUTORY RESERVE FUNDS/CAPITAL RESERVES

Share capital

Item	Dec 31 2017	Dec 31 2016
Number of shares	10,298,554	10,660,812
Par value of shares	0.2	0.2
Share capital	2,060	2,060
Share capital restated using hyperinflation indices (IAS 29)	1,557	1,557
Share capital at end of the period	**3,616**	**3,616**

Components of equity from the restatement made in 2006 are disclosed as a part of the share capital.

Shareholding structure:

Shareholders as at Dec 31 2017	Share preference	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 2017	Jan 1–Dec 31 2016
Share capital at beginning of the period	**3,616**	**3,704**
Share capital increases during the period	**-**	**-**
Share capital reductions during the period	**-**	**88**
Cancellation of treasury shares	-	88
Share capital at end of the period	**3,616**	**3,616**

Other components of equity

Item	Statutory reserve funds	Reserve capital and other components of equity	Revalutaion reserve
Balance as at Jan 1 2016	**126,900**	**24,230**	**-**
Increase:	**15,705**	**759**	**-**
transfer from reserve capital	15,705	-	-
disposal of own shares	-	100	-
cancellation of treasury shares	-	88	-
management stock options	-	571	-
Decrease:	**44,931**	**15,705**	**-**
coverage of loss brought forward	41,895	-	-
dividend	3,007	-	-
transfer to statutory reserve funds	-	15,705	-
disposal of own shares	29	-	-
Balance as at Dec 31 2016	**97,674**	**9,284**	**-**
Increase:	**23,732**	**804**	**4,419**
business combinations	23,732	-	-
hedge accounting	-	-	4,419
management stock options	-	804	-
Decrease:	**6,946**	**-**	**2,313**
transfer to statutory reserve funds	6,946	-	2,313
Balance as at Dec 31 2017	**114,460**	**10,088**	**2,106**

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

Retained profit/(loss)

Item	Dec 31 2017	Dec 31 2016
Retained profit/(loss)	**37,359**	**-1,999**
Current period's result	14,499	-1,999
Undistributed capital	20,859	0

Note 20. FINANCIAL LIABILITIES

Item	Dec 31 2017	Dec 31 2016
Bank loans	70,837	24,478
Other financial liabilities:	4,088	306
- derivative financial instruments	19	-
- lease liabilities	4,069	306
Total financial liabilities	**74,925**	**24,784**
- non-current	10,915	15,635
- current	64,010	9,149

As at Dec 31 2017

Company	Investment loan	Principal	Interest	Repayment date	Security
mBANK S.A.	14,205	Investment loan agreement No. 29/001/15/Z/IN, for PLN 26,844,575	variable interest rate	31.01.2020	mortgage, hold on securities account
BANK HANDLOWY	1,093	Investment loan agreement No. BDK/KR-D/000009908/0028/13, for USD 3,000 thousand	variable interest rate	27.04.2018	mortgage up to USD 3,750 thousand
mBank – credit card limit	57		variable interest rate		
mBank – credit card limit	24		variable interest rate		
mBank – credit card limit	153		variable interest rate		
BZ WBK – overdraft facility	16,846	Overdraft facility agreement No. K00555/16	variable interest rate	30.06.2018	promissory note
Raiffeisen – overdraft facility	15,006	Overdraft facility agreement No. CRD/L/42033/14	variable interest rate	31.08.2018	promissory note

CITI – overdraft facility	5,121	Overdraft facility agreement No. BDK/KR-RB/000009165/0060/17	variable interest rate	04.05.2018	promissory note
PEKAO – overdraft facility	18,334	Multi-purpose credit line agreement No. 2017/374/DDF	variable interest rate	08.09.2018	promissory note
Total	**70,837**				

As at Dec 31 2016

Company	Investment loan	Principal	Interest	Repayment date	Security
mBANK S.A.	20,524	Investment loan agreement No. 29/001/15/Z/IN, for PLN 26,844,575	variable interest rate	31.01.2020	mortgage, surety provided by SECO/WARWICK EUROPE Sp. z o.o., hold on securities account
BANK HANDLOWY	3,954	Investment loan agreement No. BDK/KR-D/000009908/0028/13, for USD 3,000 thousand	variable interest rate	27.04.2018	mortgage up to USD 3,750 thousand, surety provided by SECO/WARWICK EUROPE Sp. z o.o.
Total	**24,478**				

Bank loans by maturity:

Item	Dec 31 2017	Dec 31 2016
Short-term borrowings	62,953	8,961
Long-term borrowings	7,885	15,517
- repayable in more than 1 year, up to 3 years	7,885	13,952
- repayable in more than 3 years, up to 5 years	-	1,565
Total borrowings	**70,837**	**24,478**

Borrowings by currency:

Item	Dec 31 2017 amount in foreign currency	Dec 31 2017 amount in PLN	Dec 31 2016 amount in foreign currency	Dec 31 2016 amount in PLN
PLN	-	69,567	-	20,524
EUR	37	153	-	-
USD	321	1,117	946	3,954
Total borrowings	**x**	**70,837**	**x**	**24,478**

Leases

As at December 31st 2017, the future minimum lease payments under these contracts and the present value of the minimum net lease payments were as follows:

Item	Dec 31 2017 Minimum lease payments	Dec 31 2017 Present value of lease payments	Dec 31 2016 Minimum lease payments	Dec 31 2016 Present value of lease payments
Up to 1 year	1,208	1,039	209	188
From 1 year to 5 years	3,425	3,030	130	118
Total minimum lease payments	**4,632**	**4,069**	**339**	**306**
Future interest expense	563		33	
Present value of minimum lease payments, including:	**4,069**	**4,069**	**306**	**306**
Short-term	1,039	1,039	188	188
Long-term	3,030	3,030	118	118

Note 21. TRADE PAYABLES AND OTHER LIABILITIES

TRADE AND OTHER PAYABLES	Dec 31 2017	Dec 31 2016
a) for deliveries and services, payable up to 12 months	28,360	1,132
b) prepayments received for deliveries	158	-
c) taxes, duties, social security and other benefits (excluding income tax) payable	4,310	606
d) salaries and wages payable	2,768	314
e) other	2,775	25
TOTAL	**38,370**	**2,076**

Contingent liabilities

Contingent liabilities under guarantees and sureties issued were PLN 106,357 thousand as at the end of 2017, and PLN 14,443 thousand as at the end of 2016. The guarantees were issued in respect of:

Item		Dec 31 2017	Dec 31 2016
APG	advance payment guarantee	43,253	-
BB	bid bond	-	-
CRG	credit repayment guarantee	2,085	-
PBG	performance bond guarantee	1,755	1,070
SBLC	stand-by letter of credit	11,140	-
WAD	bid bond guarantee	4,091	-
CRB	credit repayment bond	-	-
Total		**62,324**	**1,070**

Information on sureties granted is disclosed in point 16 of the Director Report of SECO / WARWICK S.A.

Social assets and liabilities of the Company Social Benefits Fund

The Act on Company Social Benefits Fund of March 4th 1994 (as amended) stipulates that an employer must 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. The fund holds property, plant and equipment. The purpose of the fund is to subsidize the Company's social activities, loans granted to its employees and other social costs.

The Company set off the fund's assets against its liabilities towards the fund, as the fund's assets do not represent a separate category of assets.

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

Item	Dec 31 2017	Dec 31 2016
Loans advanced to employees	45	-
Cash	204	3
Liabilities to the fund	203	3
Contributions to the fund during the year	626	21

Note 22. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Polish companies received retirement bonuses in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Company 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 and similar benefits

LONG-TERM PROVISION FOR RETIREMENT BONUSES AND BENEFITS	from Jan 1 2017 to Dec 31 2017	from Jan 1 2016 to Dec 31 2016
as at beginning of the period	-	-
increase	1,425	-
- business combination	587	-
- provision recognised	838	-

provision used	-	-
provision reversed	587	-
as at end of the period	**838**	**-**

The actuary made the following assumptions as at the end of the reporting period to calculate the amount of the obligations:

Item	Dec 31 2017	Dec 31 2016
Discount rate (%)	3.2	-
Expected inflation rate (%)	2.3	-
Expected rate of growth of salaries and wages (%)	5.0	-

SHORT-TERM PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1–Dec 31 2017	Jan 1– Dec 31 2016
1. Provision for accrued holiday entitlements		
- at beginning of the period	**344**	**374**
- business combination	1,345	-
- provision recognised	23,911	343
- provision reversed	23,664	373
- at end of the period	**1,936**	**344**
2. Provision for bonuses		
- at beginning of the period	**1,001**	**1,119**
- business combination	2,993	-
- provision recognised	22,504	706
- provision used	3,704	287
- provision reversed	18,408	537
- at end of the period	**4,386**	**1,001**
3. Provision for retirement bonuses		
at beginning of the period	**-**	**-**
- business combination	27	-
- provision recognised	24	-
- provision used	-	-
- provision reversed	27	-
as at end of the period	**24**	**-**

Other provisions

Item	***Provision for warranty repairs and returns***	***Provision for penalty***	***Other provisions***	***Other provisions – contingent liability***	***Total***
As at Dec 31 2015	**-**	**-**	**800**	**-**	**800**
Provisions recognised during the financial year	-	-	-	-	-

Provisions used	-	-	-	-	-
Provisions reversed	-	-	800	-	800
As at Dec 31 2016	**-**	**-**	**-**	**-**	**-**
Business combination	80	-	4,080	-	4,160
Provisions recognised during the financial year	-	-	10,807	-	10,807
Change in the presentation of losses on contracts	-	-	207	-	207
Provisions reversed	80	-	11,942	-	12,022
As at Dec 31 2017	**-**	**-**	**2,738**	**-**	**2,738**

"Other reserves" - provisions for future losses and for anticipated costs of contracts.

Note 23. DEFERRED INCOME

Item	Dec 31 2017	Dec 31 2016
- co-financing for development and research projects	13,809	3,818
Total deferred income, including:	**13,809**	**3,818**
- non-current	12,793	3,473
- current	1,015	344

Note 24. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Dec 31 2017	Dec 31 2016
Gain/(loss) on investing activities	**-1,281**	**17,414**
Disposal of property, plant and equipment	652	-3
Impairment loss on loans, including	664	2,003
Impairment loss on shares in related parties	-1,057	14,548
Write-off of fixed assets	-1,540	-
Cancellation of loans and other items	-	865
Change in provisions results from the following items:	**-535**	**-948**
net change in provisions	8 578	-1,356
impact of merger Seco / Warwick S.A. and Seco / Warwick Europe sp. o.o.	-9 113	-
elimination of change in deferred tax liabilities	-	409
Change in receivables results from the following items:	**16,965**	**-1,560**
balance-sheet change in receivables	-48 067	9,457
impact of merger Seco / Warwick S.A. and Seco / Warwick Europe sp. o.o.	66 776	-
change in dividends due from SW Europe Sp. z o.o.	-	-9,464
change in amounts due from sale of subsidiaries	-	-1,553
elimination of change in deferred tax assets	-1,743	-
Change in liabilities (excluding financial liabilities) results from the following items:	**-7,064**	**624**

balance-sheet change in liabilities	40 075	250
impact of merger Seco / Warwick S.A. and Seco / Warwick Europe sp. o.o	-50 147	-
excluding leasing liabilities	-1,307	-
exclusion of liabilities due to futures transactions	6,675	-
exclusion of investment commitments	-2,359	-
excluding the change in income tax liability	-	374
Change in accruals and deferred income results from the following items:	**-13,750**	**-329**
net change in accruals and deferred income	-11,055	-6,350
impact of merger Seco / Warwick S.A. and Seco / Warwick Europe sp. o.o	2,577	-
elimination of change in deferred tax assets	-5,271	6,021
Other	**804**	**571**
management stock options	804	571

Note 25. RELATED PARTIES

Related party (subsidiaries)	year	Sales to related parties	Purchase from related parties	Receivables from related parties	Liabilities due to related parties
SECO/WARWICK EUROPE					
	2017	-	-	-	-
	2016	7,018	414	4,207	74
SECO/WARWICK Corporation					
	2017	5,191	725	927	639
	2016	1,526	13	1,311	-
SECO/WARWICK GmbH					
	2017	-	-	-	49
	2016	50	-	-	-
SECO/WARWICK Rus					
	2017	9,196	523	3,499	522
	2016	6	-	3	-
RETECH					
	2017	3,814	8 882	1,271	1,918
	2016	1,960	-	636	-
SECO/WARWICK RETECH					
	2017	2,228	5,444	717	4,366
	2016	480	-	397	-
SECO/WARWICK Allied					
	2017	600	9	-	96
	2016	354	-	324	-
SECO/WARWICK Germany GmbH					
	2017	2,618	1,024	3,704	33

2016	42	39	24	27
SECO/WARWICK France				
2017	64	842	57	44
2016	6	-	2	-
SECO/WARWICK Services				
2017	3,302	944	951	13
2016	220	80	102	94
SECO VACUUM TECHNOLOGIES LLC				
2017	143	-	136	-
2016	-	-	-	-
SECO/WARWICK Systems and Services India				
2017	42	47	41	46
2016	-	-	-	-

Note 26. REMUNERATION OF KEY PERSONNEL

Senior management of SECO/WARWICK S.A. comprises members of the Management and Supervisory Boards.

REMUNERATION OF THE MANAGEMENT BOARD

Name and surname	Remuneration for the period	Other benefits	Total remuneration for the period
Dec 31 2017			
Paweł Wyrzykowski	1,589	198	1,787
Sławomir Woźniak	438	85	523
Bartosz Klinowski	460	15	475
Wojciech Peret (1)	400	12	412
Total	**2,887**	**309**	**3,197**
Dec 31 2016			
Paweł Wyrzykowski	750	24	774
Jarosław Talerzak	390	23	413
Wojciech Peret	384	19	403
Total	**1,524**	**66**	**1,590**

(1) Remuneration of Mr Wojciech Peret for the period January 1st–August 31st 2017 for serving on the Company's Management Board.

For details of awarded management stock options, see Note 30 "Management stock options."

REMUNERATION OF THE SUPERVISORY BOARD

Name and surname	Total remuneration Dec 31 2017	Total remuneration Dec 31 2016
Andrzej Zawistowski, including:	205	223
- for his service as Chairman of the Supervisory Board	120	120

- under contract for advisory services[(1)]	85	103
Jeffrey Boswell, including:	151	161
- for his service as Member of the Supervisory Board	-	0
- under employment contract[(2)]	151	161
James A. Goltz, including:	379	840
- for his service as Member of the Supervisory Board	-	-
- under employment contract[(3)]	379	840
Dr Gutmann Habig [(4)]	-	46
Henryk Pilarski	54	54
Witold Klinowski, including:	-	196
- for his service as Member of the Supervisory Board[(5)]	-	20
- under contract for advisory services[(6)]	-	176
Marcin Murawski [(7)]	43	44
Paweł Tamborski [(8)]	42	22
Total	**874**	**1,586**

(1) Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as 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 as of June 24th 2016.

(6) Under a contract 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 Marcin Murawski was appointed Member of the Supervisory Board by Resolution No. 33 of the General Meeting of May 26th 2015.

(8) Mr Paweł Tamborski was appointed Member of the Supervisory Board by Resolution No. 29 of the General Meeting of June 24th 2016. Mr. Paweł Tamborski resigned from the position of a Member of the Supervisory Board from February 16, 2018.

Note 27. FINANCIAL ASSETS AND LIABILITIES

Item	Category (IAS 39)	Carrying amount		Maximum credit risk exposure in 2017
		Dec 31 2017	Dec 31 2016	
Financial assets				
Loans advanced	L&R	1,075	1,138	1,075
Trade and other receivables	L&R	55,050	7,143	55,050
Long-term receivables	L&R	4,532	4,388	4,532
Derivative financial instruments	L&R	5,254	-	5,254
Hedging instruments	L&R	5,254	-	5,254
Cash and cash equivalents	L&R	30,913	1,368	30,913
Granted sureties	-	-	-	44,033
Financial liabilities				
Current				
Interest-bearing borrowings, including:	OFL at AC			
- *short-term borrowings*	OFL at AC	62,953	8,961	-
- *finance lease liabilities (current)*	OFL at AC	1,039	188	-
Trade and other payables	OFL at AC	87,989	2,421	-
Hedging instruments	OFL at AC	19	-	-
Non-current				
- *long-term loans*	OFL at AC	7,885	15,517	-
Trade and other payables	OFL at AC	15,823	3,591	-
- Finance lease liabilities (non-current)	OFL at AC	3,030	118	-

L&R – Loans and receivables,
OFL at AC – Other financial liabilities at amortised cost.

There are no differences between the carrying amount and the fair value of any of the financial assets and liabilities.

Note 28. EMPLOYMENT STRUCTURE

Item	Dec 31 2017	Dec 31 2016
Blue-collar employees	399	-
White-collar employees	147	20
Employees on parental leaves	2	-
Total	**548**	**20**

Note 29. OBJECTIVES AND POLICY OF FINANCIAL RISK MANAGEMENT

As part of its operating and financial activities, the Company is exposed to risks related primarily to its financial instruments. Those risks may be broadly defined as market risk, and comprises currency risk, interest rate risk, liquidity risk and credit risk. The Company manages financial risks in order to limit the adverse impact of changes in foreign exchange rates and interest rates, as well as to stabilise cash flows and ensure an appropriate level of financial liquidity and flexibility. The Group's financial risk management policies are determined by the Management Board of the Parent. As part of the risk management process, an expert system for management accounting was developed and implemented. The key parameters of operational and financial risks are monitored on the basis of monthly reports prepared by the Group companies.

29.1 Currency risk

Due to its active and extensive presence on foreign markets, the Company enters into certain sales and purchase transactions denominated in foreign currencies. The Company also has loans and other financial liabilities denominated in foreign currencies. This exposes the Group to the risk of exchange rate fluctuations.

Assets and liabilities denominated in foreign currencies and translated into PLN at the closing rate effective as at the reporting date are presented below:

Liabilities	As at Dec 31 2017 in foreign currency	As at Dec 31 2017 in PLN	As at Dec 31 2016 in foreign currency	As at Dec 31 2016 in PLN
EUR	2,716	11,328	8	36
USD	1,431	4,982	967	4,041

Assets	As at Dec 31 2017 in foreign currency	As at Dec 31 2017 in PLN	As at Dec 31 2016 in foreign currency	As at Dec 31 2016 in PLN
EUR	12,218	50,960	232	1,025
USD	2,522	8,8781	731	3,057

Denomination of the hedging instrument				
EUR	23,211	96,811	-	-
USD	11,614	40,432	-	-

29.1.1 Sensitivity to currency risk

The Company 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 exchange rates on the Company's profit or loss and other comprehensive income.

Exchange rate at Dec 31 2017	Exchange rate	+ 10% increase in exchange rate	decrease in exchange rate -10%
USD	4.1709	0,417	-0,417
EUR	3.4813	0,348	-0,348

Exchange rate at Dec 31 2016	Exchange rate	+ 10% increase in exchange rate	decrease in exchange rate -10%
USD	4.1793	0,418	-0,418
EUR	4.4240	0,442	-0,442

Assumptions:

- exchange rate at reporting date Dec 31 2017

+ 10% increase in exchange rate

- 10% decrease in exchange rate

Effect on equity		**Effect of USD**	**Effect of USD**	**Effect of EUR**	**Effect of EUR**
		Period ended Dec 31 2017	**Period ended Dec 31 2016**	**Period ended Dec 31 2017**	**Period ended Dec 31 2016**
ASSETS					
Increase in rate	10%	878	306	5,096	103
Decrease in rate	-10%	-878	-306	-5,096	-103
LIABILITIES AND BANK LOANS					
Increase in rate	10%	-498	-404	-1,133	-3.6
Decrease in rate	-10%	498	404	1,133	3.6
TOTAL					
Increase in rate	10%	380	-98	3,963	99
Decrease in rate	-10%	-380	98	-3,963	-99

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR
		Period ended Dec 31 2017	Period ended Dec 31 2016	Period ended Dec 31 2017	Period ended Dec 31 2016
ASSETS					
Increase in rate	10%	878	306	5,096	103
Decrease in rate	-10%	-878	-306	-5,096	-103
LIABILITIES AND BANK LOANS					
Increase in rate	10%	-498	-404	-1,133	-3.6
Decrease in rate	-10%	498	404	1,133	3.6
TOTAL					
Increase in rate	10%	380	-98	3,963	99
Decrease in rate	-10%	-380	98	-3,963	-99

Exposure to currency risk changes during the year depending on the volume of transactions carried out in foreign currencies. However, the sensitivity analysis is considered to be representative of the Company's exposure to foreign currency risk.

29.2 Interest rate risk

The Company holds interest-bearing liabilities. Therefore, it is exposed to interest rate risk. In the financial year 2017, the total amount of interest on the Company's liabilities was PLN 2,063 thousand. The risk is estimated on the basis of interest rate increase/decrease by 1%.

	Effect on net profit/loss	Effect on equity	Effect on pre-tax profit/loss	Effect on equity
	+ 1%/- 1%		+ 1%/- 1%	
	Year ended Dec 31 2017		Year ended Dec 31 2016	
Lease liabilities	+/- 41	+/- 41	+/- 3	+/- 3
Other financial liabilities at amortised cost	+/- 708	+/- 708	+/- 245	+/- 245

29.3 Capital management

The primary objective of the Company's capital management is to maintain good credit rating and safe capital ratios, in order to support the Company's operations and increase the shareholder value.

The Company manages its capital structure and modifies it in response to changes in the economic environment. In order to maintain or adjust the capital structure, the Company may change dividend payments, return capital to shareholders or issue new shares. In the year ended December 31st 2017, no changes were introduced to the objectives, principles and processes applicable in this area.

The Company monitors its equity using a gearing ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Company's net debt includes interest-bearing borrowings and finance lease 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:

	As at Dec 31 2017 PLN'000	As at Dec 31 2016 PLN'000
Debt	74,906	24,784

Cash and cash equivalents	-30,913	-1,368
Net debt	43,994	23,415
Equity	167,629	108,576
Net debt to equity	**26.24%**	**21.57%**

29.4 Liquidity risk

Liquidity risk is the risk that the Group may face difficulties in meeting financial liabilities. The liquidity risk management process at the company involves forecasting future cash flows, analysing the level of liquid assets in relation to cash flows, monitoring the liquidity ratios based on balance sheet items and maintaining access to various sources of financing.

The Company also manages liquidity risk by maintaining open and unused credit facilities which serve as a liquidity reserve and secure solvency and financial flexibility. The Company recognises bank loans as financial instruments which may potentially cause concentration of liquidity risk as the Company maintains relationships with selected financial institutions only. As at December 31st 2017, short-term bank loans represented 39% of total current liabilities (December 31st 2016: 69%)

The table below presents the Company's financial liabilities by maturity as at December 31st 2017 and December 31st 2016, based on contractual undiscounted payments.

Dec 31 2017	Payable on demand	Up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2017
Interest-bearing borrowings	-	62,953	7,885	-	**70,837**
Trade payables	-	28,518	-	-	**28,518**
Other liabilities	-	10,910	3,030	-	**13,940**
TOTAL	**-**	**102,381**	**10,915**	**-**	**113,295**

Dec 31 2016	Payable on demand	Up to 1 year	1–5 years	Over 5 years	Total as at Dec 31 2016
Interest-bearing borrowings	-	8,961	15,518	-	**24,478**
Trade payables	-	1,132	-	-	**1,132**
Other liabilities	-	1,132	118	-	**1,250**
TOTAL	**-**	**11,225**	**15,636**	**-**	**26,860**

29.5 Credit risk

The Company operates a policy of selling its products and services only to customers whose credibility has been verified. The management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables. There are no overdue receivables that are not deemed irrecoverable.

The Company 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 at December 31st 2017, the share of receivables from one of the customers represented between 10% and 15% of total net trade receivables.
The age structure of receivables is presented in Note 16 to the consolidated financial statements.

The Company manages counterparty credit risk mainly by applying the following mechanisms and techniques:
- assessment of a counterparty's financial standing, and use of credit limits;
- application of uniform contractual provisions regarding credit risk;
- ongoing monitoring of payments;
- ongoing monitoring of a counterparty's financial standing.

Note 30. MANAGEMENT STOCK OPTIONS

I. The incentive scheme of April 23rd 2015 for the years 2016-2018

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

The 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. 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, this objective is set at PLN 18m.

On April 27th 2017, having examined the Company's and the Group's audited financial information for 2016, the Supervisory Board passed a resolution to review the Individual Objectives and the Joint Objective defined in the Rules of the Incentive Scheme, relating to the achievement of specific operating and financial metrics for 2016.

Following the review, the Supervisory Board granted the eligible participants of the Incentive Scheme 81,657 share options, conferring the rights to acquire 81,657 Company shares at a price of PLN 0.20 per share. Of that number, 73,393 share options were granted to the Management Board members and the commercial proxy.

II. Termination of the Incentive Scheme

On March 14th 2018, the Supervisory Board passed a resolution to terminate the 2016–2018 Incentive Scheme (the "Resolution") adopted pursuant to Resolution No. 9 of the Supervisory Board of April 23rd 2015.

Pursuant to the Resolution, the Incentive Scheme had to be terminated in its entirety due to material distortion of the Company's financial result for the financial year 2017 caused mainly by significant one-off events at the Group with an adverse effect on the Group's financial performance in 2017, which rendered the original assumptions of the Incentive Scheme inadequate.

The Resolution also defined the terms and conditions on which the terminated Incentive Scheme would be settled:

1. The Company will conclude with nine beneficiaries of the terminated Incentive Scheme (the "Beneficiaries") agreements (the "Agreements") under which a total of 102,166 Company shares will be issued to the Beneficiaries free of charge. The Beneficiaries will also be paid compensation bonuses in a total amount of PLN 389.6 thousand;
2. Under the Agreements, the Beneficiaries will waive any claims against the Company related to the Incentive Scheme or its termination.

III. Adoption of the 2018–2020 Incentive Scheme for members of the SECO/WARWICK Group's management staff

On April 11th 2018, an Extraordinary General Meeting of SECO/WARWICK S.A. passed Resolution No. 20 to approve the 2018−2020 Incentive Scheme, approve the Rules of the Incentive Scheme, and allocate the Company's treasury shares for the purposes of the Incentive Scheme. The Meeting also passed Resolution

No. 21 approving the list of participants of the 2018–2020 Incentive Scheme. The above information was published in Current Report No. 09/2018 of April 11th 2018.

The annual costs of the plan can be found in note 3 of this report.

Note 31. CAPITALISED BORROWING COSTS

In the presented reporting periods, the Company did not capitalise any borrowing costs, as costs which would potentially qualify for capitalisation were immaterial.

Note 32. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY

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

Note 33. LITIGATION

Currently, no proceedings are pending before central or local government authorities, or before arbitration courts that could have a significant impact on the financial position or profitability (over 10% of equity) of the Company.

Note 34. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administrative authorities, which are authorised to impose high penalties and sanctions. Lack of reference to well-established legal regulation in Poland results in ambiguities and inconsistencies in the applicable laws and regulations. Frequent differences in opinions as to the legal interpretation of tax regulations, both between governmental bodies and between governmental bodies and businesses, create areas of uncertainty and conflict. Therefore, the tax risk in Poland is significantly higher than that usually existing 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 year in which the tax was paid. As a result of such inspections, the Group's current tax settlements may be increased by additional tax liabilities.

In the opinion of the Management Board, as at December 31st 2017, there was no need to recognise provisions for known and quantifiable tax risk. The Company pays its tax liabilities when due.

Note 35. Merger with SECO/WARWICK Europe

On 02.01.2017 SECO/WARWICK S.A was merged. with SECO/WARWICK Europe sp. o.o. The report on the company's financial situation at the time of the merger is as follows:

02.01.2017	SWSA	SWE	Adjustments	SWSA
Non-current assets				
Property, plant and equipment	1,504	51,283	73	52,860
Investment property	0	381	0	381
Intangible assets	9,759	20,892	-1,925	28,727
Long-term receivables	4,388	1,104	0	5,492
Investments in subsidiaries, jointly controlled entities and associates	109,087	4,842	-71,790	42,138
Deferred tax assets	6,021	-	-857	5,164
	130,759	**78,502**	**- 74,499**	**134,762**
Current assets				
Inventories	100	21,723	0	21,823
Trade receivables	7,086	47,821	-4,281	50,626
Income tax assets	-	1,743	0	1,743
Other short-term receivables	57	20,388	0	20,445

Cash and cash equivalents	1,368	17,688	0	19,056
Other financial assets	1,071	4,685	-1,004	4,752
Current prepayments and accrued income	156	1,983	0	2,139
Contract settlement	-	67,627	0	67,627
	9,839	**183,657**	**- 5,285**	**188,211**
TOTAL ASSETS	**140,598**	**262,159**	**-79,784**	**322,973**

02.01.2017	**SWSA**	**SWE**	**Adjustments**	**SWSA**
Equity				
Share capital	3,616	84,348	-84,348	3,616
Statutory reserve funds	97,674	8,121	6,486	112,281
Hedging reserve	9,284	1,075	-1,075	9,284
Capital reserves	-	-2,313	0	-2,313
Retained earnings / accumulated losses	-1,999	24,338	5,646	27,985
	108,576	**115,569**	**-73,290**	**150,854**
Non-current liabilities				
Borrowings	15,517	-	-	15,517
Other financial liabilities	-	1,209	-1,209	0
Deferred tax liabilities	118	2,375	-	2,493
Provision for retirement and similar benefits	-	587	-	587
Deferred income	3,473	10,100	-	13,574
	19,108	**14,272**	**-1,209**	**32,171**
Current liabilities				
Borrowings	8,961	15,665	-1,004	23,622
Other financial liabilities	188	6,775	0	6,962
Trade payables	1,132	41,667	-4,281	38,518
Other current liabilities	606	3,190	0	3,796
Income tax payable	339	423	0	762
Provision for retirement and similar benefits	1,344	4,364	0	5,709
Other provisions	-	4,161	0	4,161
Deferred income	344	671	0	1,015
Contract settlement	-	55,404	0	55,404
	12,914	**132,319**	**-5,285**	**139,948**
TOTAL EQUITY AND LIABILITIES	**140,598**	**262,159**	**-79,784**	**322,973**

Note 36. EVENTS SUBSEQUENT TO THE REPORTING DATE

Major events significantly affecting the Company's operations that occurred after the reporting date:

All significant events after the reporting date were disclosed in the form of current reports on the Company's website www.secowarwick.com.

Date: April 26th 2018

Person responsible for accounting books:	Paweł Wyrzykowski	Sławomir Woźniak	Bartosz Klinowski
Krzysztof Opszalski	*President of the Management Board*	*Vice President of the Management Board*	*Member of the Management Board*