



SECO/WARWICK
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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2018

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I. General information

1. Parent

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

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

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

28,21,Z	Manufacture of ovens, furnaces and furnace burners
25	Manufacture of fabricated metal products, except machinery and equipment
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
64,20,Z	Activities of financial holding companies

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

2. Duration of the Group

SECO/WARWICK S.A. and other entities of the Group were incorporated to operate for an unlimited period of time, except SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd. established on May 5th 2010 for a period of 27 years, and SECO/WARWICK France established on April 8th 2015 for a period of 15 years.

3. Presented periods

These interim condensed consolidated financial statements have been prepared for the period January 1st–June 30th 2018.

Comparative data is presented:

- as at December 31st 2017 – in the case of the consolidated statement of financial position,
- for the period from January 1st to June 30th 2017 – in the case of the interim consolidated statement of comprehensive income and the interim consolidated statement of cash flows,
- for the periods from January 1st to June 30th 2017 and from January 1st to December 31st 2017 – in the case of the interim consolidated statement of changes in equity and consolidated statement of changes in equity, respectively.

The interim profit/loss may not fully reflect the realisable profit/loss for the full financial year.

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

As at the date of issue of these financial statements, June 30th 2018 and December 31st 2017, the SECO/WARWICK S.A. Management Board was composed of:

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

As at the date of issue of these financial statements and June 30th 2018, 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
- Marcin Murawski – Member of the Supervisory Board
- Jacek Tucharz – Member of the Supervisory 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.

Changes in the composition of the Management Board:

In the period from January 1st 2018 to the date of issue of these financial statements, there were no changes in the composition of the Management Board.

Changes in the composition of the Supervisory Board:

Mr Paweł Tamborski tendered his resignation from the Supervisory Board effective February 16th 2018.

On April 11th 2018, Mr James A. Goltz was removed from the Supervisory Board by Resolution No. 10 of the Extraordinary General Meeting of SECO/WARWICK S.A., while Mr Jacek Tucharz was appointed to the Supervisory Board by Resolution No. 18 of the Extraordinary General Meeting of SECO/WARWICK S.A.

5. Audit firm

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

6. Significant holdings of shares

Shareholders holding over 5% of the total voting rights as at June 30th 2018 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

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

- 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.

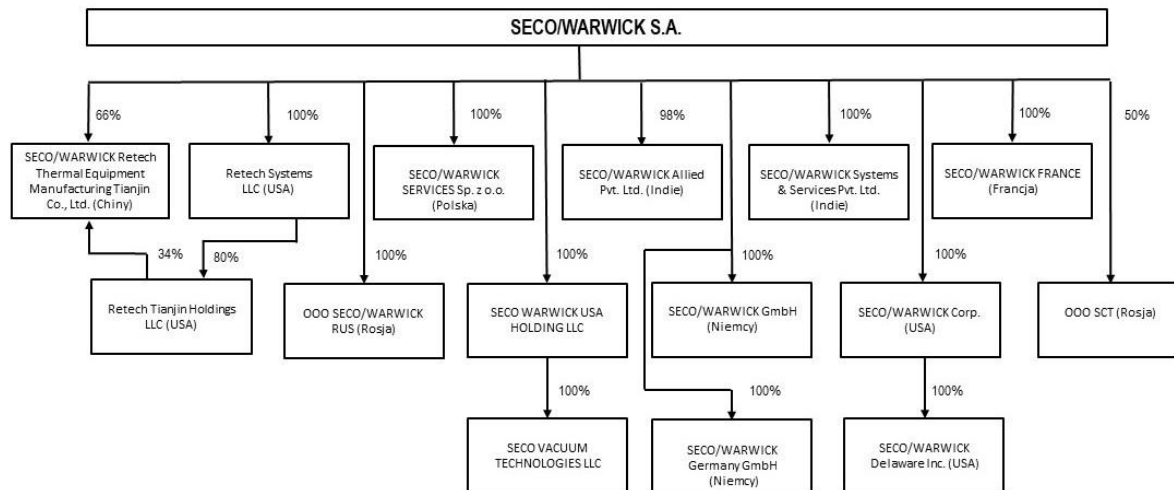
Changes in the composition of the Group:

In H1 2018, no other changes took place in the organisational structure of the Group's business, including changes resulting from merger, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations.

8. Associates

- 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.

9. Organisational chart of the Group and the associate



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:

Reporting period	Jun 30 2018	Dec 31 2017	Jun 30 2017
Average exchange rate for the period*	4.2395	-	4.2474
Exchange rate effective for the last day of the period	4.3616	4.1709	-

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

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

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

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

Consolidated financial highlights	H1 YTD from Jan 1 to Jun 30			
	2018	2017	2018	2017
	(PLN '000)		(EUR '000)	
Revenue	268,019	245,328	63,220	57,760
Cost of sales	-211,699	-216,453	-49,935	-50,961
Operating profit/(loss)	14,966	-12,902	3,530	-3,038
Profit/(loss) before tax	13,259	-7,467	3,128	-1,758
Net profit/(loss) attributable to owners of the parent	10,255	-12,992	2,419	-3,059
Net cash flows from operating activities	-14,113	-21,848	-3,329	-5,144
Net cash flows from investing activities	-10,794	6,160	-2,546	1,450
Net cash flows from financing activities	2,799	11,576	660	2,726
	Jun 30 2018	Dec 31 2017	Jun 30 2018	Dec 31 2017
Total assets	506,801	483,997	116,196	116,041
Total liabilities	311,328	299,653	71,379	71,844
Including current liabilities	277,796	264,875	63,691	63,505
Equity	161,638	151,190	37,059	36,249
Share capital	3,616	3,616	829	867

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

Financial highlights	H1 YTD from Jan 1 to Jun 30			
	2018	2017	2018	2017
	(PLN '000)		(EUR '000)	
Revenue	141,031	129,089	33,266	30,392
Cost of sales	-110,818	-109,494	-26,140	-25,779
Operating profit/(loss)	14,184	3,614	3,346	851
Profit/(loss) before tax	11,834	10,845	2,791	2,553
Net profit/(loss)	9,186	8,041	2,167	1,893
Net cash flows from operating activities	-1,358	-7,263	-320	-1,710
Net cash flows from investing activities	-9,453	-15,059	-2,230	-3,545
Net cash flows from financing activities	-4,233	21,360	-999	5,029
	Jun 30 2018	Dec 31 2017	Jun 30 2018	Dec 31 2017
Total assets	347,563	353,257	79,687	84,696
Total liabilities	174,200	185,628	39,939	44,505

Including current liabilities	150,261	161,082	34,451	38,620
Equity	173,363	167,629	39,748	40,190
Share capital	3,616	3,616	829	867

III. Statement of compliance

Pursuant to the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (the "Regulation"), the Management Board of the Parent represents that to the best of its knowledge these interim condensed consolidated financial statements and the relevant comparative data have been prepared in compliance with the accounting standards applicable to the Group and give an accurate, fair and clear view of the Group's assets, financial condition and financial results, and that the Directors' Report for H1 2018 presents a true picture of the development, achievements and standing of the Group, including a description of the main threats and risks.

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and the Regulation.

The Management Board represents that the auditing firm which reviewed these interim condensed consolidated financial statements and the interim condensed separate financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the review met the conditions required to issue an impartial and independent auditor's review report, in accordance with the applicable laws and professional standards. Pursuant to the corporate governance standards adopted by the Management Board, the auditor was appointed by the Supervisory Board under Resolution No. 14/2018 of April 26th 2018 on appointment of the auditor. The Supervisory Board appointed the auditor with due regard for the impartiality and objectivity of the selection process as well as of the performance of the auditor's tasks.

IV. Authorisation of the financial statements

The Parent's Management Board authorised these interim condensed consolidated financial statements for issue on September 11th 2018.

Date: September 11th 2018

Paweł Wyrzykowski

*President of the
Management Board*

Sławomir Woźniak

*Vice President of the
Management Board*

Bartosz Klinowski

*Member of the
Management Board*



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(PLN '000)

	Note	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
		(unaudited)	(unaudited, restated)
Revenue from sale of finished goods and services		261,296	241,159
Revenue from sale of merchandise and materials		6,723	4,169
Revenue	1	268,019	245,328
Cost of finished goods sold and services rendered		-205,475	-213,115
Cost of merchandise and materials sold		-6,224	-3,338
Cost of sales		-211,699	-216,453
Gross profit/(loss)		56,320	28,875
Other income	3	3,039	4,018
Distribution costs		-18,210	-20,066
Administrative expenses		-25,101	-24,622
Impairment of receivables and contract assets		-239	-628
Other expenses	3	-843	-478
Operating profit/(loss)		14,966	-12,902
Finance income	4	2,655	7,820
Finance costs	4	-4,400	-2,416
Share of net profit/(loss) of associates		39	32
Profit/(loss) before tax		13,259	-7,467
Income tax		-2,950	-3,114
Net profit/(loss) from continuing operations		10,310	-10,580
Profit/(loss) from discontinued operations		-	-2,367
Net profit/(loss)		10,310	-12,947
Net profit/(loss) attributable to			
Owners of the parent		10,255	-12,992
Non-controlling interests		55	45

OTHER COMPREHENSIVE INCOME:

Items that will not be reclassified to profit or loss:

Actuarial gains/(losses) on a defined benefit pension plan		747	-216
Income tax on other comprehensive income		-262	76

Items that may be reclassified to profit or loss:

Valuation of cash flow hedging derivatives	15	-5,107	4,556
Exchange differences on translating foreign operations		3,418	-8,859
Income tax on other comprehensive income		970	-866

Total other comprehensive income, net	-233	-5,309
Total comprehensive income	10,077	-18,256
Total comprehensive income attributable to		
Owners of the parent	10,082	-18,338
Non-controlling interests	-5	82
EARNINGS PER SHARE:		
	5	
- basic earnings/(loss) per share attributable to owners of the parent	1.00	-1.26
- diluted earnings/(loss) per share attributable to owners of the parent	1.00	-1.26
- basic earnings/(loss) per share from continuing operations, attributable to owners of the parent	1.00	-1.03
- diluted earnings/(loss) per share from continuing operations, attributable to owners of the parent	1.00	-1.03

Date: September 11th 2018

Piotr Walasek

Chief Financial Officer

Paweł Wyrzykowski

President of the Management Board

Sławomir Woźniak

Vice President of the Management Board

Bartosz Klinowski

Member of the Management Board

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(PLN '000)

	Note	Jun 30 2018 (unaudited)	Dec 31 2017 (audited)
Non-current assets			
Property, plant and equipment	6	80,029	78,184
Investment property		364	371
Goodwill	11	38,686	36,019
Intangible assets	7	41,245	36,755
Long-term receivables		3,866	4,532
Other financial assets	14.15	31	2,000
Deferred tax assets		0	180
		164,221	158,040
Current assets			
Inventories	9	59,209	41,357
Trade receivables		65,969	69,071
Income tax assets		317	232
Other short-term receivables	16	21,424	17,008
Cash and cash equivalents		30,526	52,077
Other financial assets	14.15	1,333	5,328
Other non-financial assets		2,341	3,949
Contract settlement	12	127,625	103,780
		308,745	292,803
Assets held for sale		33,835	33,154
TOTAL ASSETS		506,801	483,997

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 (PLN '000)

	Note	Jun 30 2018 (unaudited)	Dec 31 2017 (audited)
Equity			
Share capital		3,616	3,616
Statutory reserve funds		193,449	176,142
Other components of equity		11,383	10,088
Hedging reserve		-2,031	2,106
Retained earnings / accumulated losses		-44,716	-40,705
Equity attributable to owners of the parent		161,702	151,248
Non-controlling interests		-63	-58
		161,638	151,190
Non-current liabilities			
Borrowings		4,855	8,055
Other financial liabilities	15	4,169	3,296
Deferred tax liabilities		9,467	7,814
Provision for retirement and similar benefits		2,241	2,820
Deferred income		12,801	12,793
		33,532	34,778
Current liabilities			
Borrowings		79,653	70,184
Other financial liabilities	15	4,159	1,560
Trade payables		51,998	59,981
Income tax payable		99	188
Taxes, customs duties and social security payable		4,809	6,048
Other current liabilities	17	21,845	9,879
Provision for retirement and similar benefits		9,658	10,330
Other provisions	22	21,164	5,420
Deferred income		1,054	1,015
Contract settlement	12	83,356	100,271
		277,796	264,875
Liabilities directly related to discontinued operations		33,835	33,154
TOTAL EQUITY AND LIABILITIES		506,801	483,997

Date: September 11th 2018

Piotr Walasek	Paweł Wyrzykowski	Sławomir Woźniak	Bartosz Klinowski
<i>Chief Financial Officer</i>	<i>President of the Management Board</i>	<i>Vice President of the Management Board</i>	<i>Member of the Management Board</i>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(PLN '000)

	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before tax from continuing operations	13,259	-9,833
Profit/(loss) before tax from discontinued operations	-	-
Profit/(loss) before tax	13,259	-9,833
Total adjustments:	-27,104	-17,986
Share of net profit of associates	-62	-45
Depreciation and amortisation	5,048	5,519
Foreign exchange gains/(losses)	604	-3,935
Interest and profit distributions (dividends)	1,214	1,906
Gain/(loss) on investing activities	-482	-2,420
Balance-sheet valuation of derivative instruments	4,511	-7,510
Change in provisions	7,166	-3,376
Change in inventories	-19,808	-3,657
Change in receivables	3,276	-87
Change in current liabilities (other than financial liabilities)	832	15,145
Change in accruals, deferrals and contracts	-30,649	-19,425
Other adjustments	1,245	-101
Income tax (paid)/refunded	-269	5,971
Net cash from operating activities	-14,113	-21,848
INVESTING ACTIVITIES		
Cash provided by investing activities	1,257	15,494
Proceeds from disposal of intangible assets and property, plant and equipment	1,182	8,660
Other inflows from financial assets	74	6,834
Cash used in investing activities	12,050	9,334
Investments in intangible assets, property, plant and equipment, and investment property	12,048	9,274
Other cash used in investing activities	2	59
Net cash from investing activities	-10,794	6,160
FINANCING ACTIVITIES		
Cash provided by investing activities	8,341	29,945
Borrowings	8,341	29,903
Other inflows	0	42
Cash used in investing activities	5,542	18,369
Repayment of borrowings	3,340	15,987
Other cash used in financing activities	3	-
Other financial liabilities	0	11
Payment of finance lease liabilities	1,019	467
Interest paid	1,180	1,903

Net cash from financing activities	2,799	11,576
Total net cash	-22,107	-4,112
Net change in cash, including:	-21,626	13,868
- effect of exchange rate fluctuations on cash held	264	0
Cash at beginning of period	52,369	41,334
Cash at end of period	30,526	37,222

Date: September 11th 2018

Piotr Walasek

Chief Financial Officer

Paweł Wyrzykowski

*President of the
Management Board*

Sławomir Woźniak

*Vice President of the
Management Board*

Bartosz Klinowski

*Member of the
Management Board*

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

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings / accumulated losses	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity as at January 1st 2018	3,616	176,143	2,106	10,088	17,439	-58,144	151,248	-58	151,190
Effect of IFRS 15	-	-	-	-	-	-924	-924	-	- 924
Equity as at January 1st 2018 following the application of IFRS 15	3,616	176,143	2,106	10,088	17,439	-59,068	150,325	-58	150,266
Profit/(loss) for the period	-	-	-	-	-	10,255	10,255	55	10,310
Other comprehensive income	-	-	-4,136	-	3,478	486	-173	-60	-233
Total comprehensive income for the year	-	-	-4,136	-	3,478	10,741	10,082	-5	10,077
Management stock options	-	-	-	1,295	-	-	1,295	-	1,295
Distribution of profit (dividend)	-	-	-	-	-	-	0	-	0
Transfer of retained earnings to statutory reserve funds	-	17,307	-	-	-	-17,307	-	-	-
Equity as at June 30th 2018 (unaudited)	3,616	193,449	-2,031	11,384	20,917	-65,634	161,702	-63	161,639
Equity as at January 1st 2017	3,616	182,429	-2,313	9,284	27,029	-19,770	200,275	-544	199,731
Profit/(loss) for the period	-	-	-	-	-	-12,992	-12,992	45	-12,947
Other comprehensive income	-	-	3,690	-	-8,896	-140	-5,346	37	-5,309
Total comprehensive income for the year	-	-	3,690	-	-8,896	-13,132	-18,338	82	-18,256
Management stock options	-	-	-	402	-	-	402	-	402
Distribution of profit (dividend)	-	-	-	-	-	-4,947	-4,947	-	-4,947
Coverage of loss brought forward with statutory reserve funds	-	-6,286	-	-	-	6,286	-	-	-
Accounting for increase of control at SWR	-	-	-	-	-	-434	-434	434	-
Equity as at June 30th 2017 (unaudited)	3,616	176,143	1,377	9,686	18,134	-31,998	176,959	-27	176,931

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings / accumulated losses	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity as at January 1st 2017	3,616	182,429	-2,313	9,284	27,029	-19,770	200,275	-544	199,731
Profit/(loss) for the year	-	-	-	-	-	-41,860	-41,860	17	-41,843
Other comprehensive income	-	-	4,419	-	-9,590	2,581	-2,590	35	-2,555
Total comprehensive income for the year	-	-	4,419	-	-9,590	-39,279	-44,450	52	-44,399
Dividend	-	-	-	-	-	-4,947	-4,947	-	-4,947
Management stock options	-	-	-	804	-	-	804	-	804
Coverage of loss brought forward	-	-6,286	-	-	-	6,286	-	-	-
Accounting for increase of control at SECO/WARWICK Retech	-	-	-	-	-	-434	-434	434	-
Equity as at December 31st 2017	3,616	176,143	2,106	10,088	17,439	-58,144	151,248	-58	151,190

Date: September 11th 2018

Piotr Walasek

Chief Financial Officer

Paweł Wyrzykowski

President of the Management Board

Sławomir Woźniak

Vice President of the Management Board

Bartosz Klinowski

Member of the Management Board



**SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED**

JUNE 30TH 2018

I. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (the “Regulation”).

These interim condensed consolidated financial statements do not include all the information and disclosures required to be included in full-year financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2017, authorised for issue on April 26th 2018.

II. Going concern assumption and comparability of accounts

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the 12 months after the end of the most recent reporting period, that is June 30th 2018. As at the date of authorisation of these financial statements, the Parent’s Management Board was aware of no facts or circumstances that would involve a threat to the Group’s continuing as a going concern for the 12 months after the end of the reporting period, as a result of intended or forced discontinuation or material limitation of the existing business.

By the date of preparation of these interim condensed consolidated financial statements for H1 2018, no events occurred which have not but should have been disclosed in the accounting records for the reporting period. In these financial statements no material events related to prior years have been disclosed.

III. Basis of consolidation

In the six months ended June 30th 2018, there were no changes in the Group’s composition relative to December 31st 2017 or in the basis of consolidation.

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

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

These interim condensed consolidated financial statements are presented in the złoty (“PLN”), and unless specified otherwise, all amounts are given in thousands of PLN. Exchange differences on translating items of the statement of financial position are calculated as differences between the exchange rates applicable to the opening and closing balance.

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with the policies applied in the preparation of the Group’s full-year consolidated financial statements for the year ended December 31st 2017, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2018.

The Group applied for the first time IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) and IFRS 9 *Financial Instruments* (“IFRS 9”). In accordance with IAS 34 *Interim Financial Reporting*, in Section VI hereof the Group has disclosed the nature and effect of changes in its accounting policies.

The Management Board does not expect the implementation of these standards and interpretations to have a material effect on the Group’s accounting policies.

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

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

V. Material judgements and estimates

Material judgements made by the Management Board in applying the Group's accounting policies and key sources of estimation uncertainty are the same in these interim condensed consolidated financial statements as those presented in Section VIII of the 2017 consolidated financial statements.

VI. Changes in accounting policies

Save for the below described changes resulting from the introduction of new standards effective for reporting periods beginning on or after January 1st 2018, the same accounting policies as described in the consolidated financial statements prepared as at and for the year ended December 31st 2017 were applied by the Group in the preparation of these interim condensed consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* was issued on May 28th 2014 and is effective for reporting periods beginning on or after January 1st 2018. The standard was endorsed by the European Union on September 22nd 2016.

The standard applies to almost all contracts with customers and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* as well as numerous interpretations related to revenue recognition. The main principle of the standard is that revenue is to be recognised when control of a good or product is passed to the customer at a certain point in time.

In line with IFRS 15, revenue from sales of finished goods, merchandise, materials and services, net of VAT, discounts and rebates, is recognised when the entity has transferred to the buyer the significant risks and rewards incidental to their ownership.

Any goods or services that are sold in bundles that are separately identifiable as part of a contract concluded with a customer should be recognised separately, and any discounts and rebates on the transaction price should be allocated to the specific bundle items.

IFRS 15 introduces a new five-step model to determine the method of revenue measurement and recognition, whereby revenue should be recognised in an amount which reflects consideration to which the entity expects to be entitled, when (or as) the Group satisfies a performance obligation and transfers the goods. Depending on the fulfilment of the criteria specified in the standard, revenue may be recognised either on a one-off basis, at the point in time when control of goods or services is transferred to the customer, or over time, reflecting the performance of the obligation.

The Group analysed individual categories of revenue and contracts in terms of the effect of applying IFRS 15 on the revenue recognition method, including in particular in terms of the timing of recognition and the recognised amount of revenue; the Group also verified the correctness of presentation of individual revenue categories.

Following the application of IFRS 15, retained earnings of PLN -0.9m (net effect) were recognised as a result of separation of costs of potential warranty repairs from contract settlement and their recognition under provisions for warranty repairs and a change in the timing of revenue recognition for some contracts.

The Group applied the standard using the modified retrospective method of adoption in which the cumulative effect of first-time adoption of the standard is recognised as an asset while contractual obligations, work in progress, provisions for warranty repairs and liabilities arising from advances received – in correspondence with retained earnings as at the first day of application of the standard, i.e. January 1st 2018.

	Dec 31 2017	effect of IFRS 15	Jan 1 2018
ASSETS			
Non-current assets			
Property, plant and equipment	78,184		78,184
Investment property	371		371
Goodwill	36,019		36,019
Intangible assets	36,755		36,755
Investments in associates	-		0
Long-term receivables	4,532		4,532
Other financial assets	2,000		2,000
Deferred tax assets	180	143	323
	158,040	143	158,183
Current assets			
Inventories	41,357	10,289	51,647
Trade receivables	69,071		69,071
Income tax assets	232		232
Other short-term receivables	17,008		17,008
Cash and cash equivalents	52,077		52,077
Other financial assets	5,328		5,328
Other non-financial assets	3,949		3,949
Contract settlement	103,780	6,977	110,757
	292,803	17,266	310,069
Assets held for sale	33,154		33,154
TOTAL ASSETS	483,997	17,410	501,407

	Dec 31 2017	effect of IFRS 15	Jan 1 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	3,616		3,616
Statutory reserve funds	176,142		176,142
Other components of equity	10,088		10,088
Hedging reserve	2,106		2,106
Retained earnings / accumulated losses	-40,705	-924	-41,628
Equity attributable to owners of the parent	151,248	-924	150,324
Non-controlling interests	-58		-58
	151,190	-924	150,266
Non-current liabilities			
Borrowings	8,055		8,055
Other financial liabilities	3,296		3,296
Trade payables	-		0

Other non-current liabilities	0		0
Deferred tax liabilities	7,814		7,814
Provision for retirement and similar benefits	2,820		2,820
Other provisions	-		0
Deferred income	12,793		12,793
	34,778	0	34,778
Current liabilities			
Borrowings	70,184		70,184
Other financial liabilities	1,560		1,560
Trade payables	59,981		59,981
Income tax payable	188		188
Taxes, customs duties and social security payable	6,048		6,048
Other current liabilities	9,879	17,945	27,824
Provision for retirement and similar benefits	10,330		10,330
Other provisions	5,420	15,779	21,198
Deferred income	1,015		1,015
Contract settlement	100,271	-15,390	84,881
	264,875	18,334	283,209
Liabilities directly related to discontinued operations	33,154		33,154
TOTAL EQUITY AND LIABILITIES	483,997	17,410	501,407

IFRS 9 *Financial Instruments*

IFRS 9 defines three categories of financial assets based on the entity's business model for managing a given asset and the asset's contractual cash flow characteristics:

- assets measured at amortised cost after initial recognition – if financial assets are held under a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of those financial assets give rise to cash flows that are solely payments of principal and interest;
- assets measured at fair value through other comprehensive income after initial recognition – if financial assets are held under a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling the assets, and the contractual terms of those financial assets give rise to cash flows that are solely payments of principal and interest;
- assets measured at fair value through profit or loss – all other financial assets.

IFRS 9 does not require any changes in the classification of the Company's financial liabilities.

IFRS 9 replaces the incurred credit losses model with the expected credit losses model. The Group establishes an allowance for expected credit losses in the amount equal to expected credit losses over the lifetime of trade receivables, cash and cash equivalents and contract assets. The difference between the carrying amount of trade receivables measured in accordance with IAS 39 and the new carrying amount measured in accordance with IFRS 9 as at January 1st 2018 was immaterial.

IFRS 9 necessitated a consequential amendment to IAS 1 *Presentation of Financial Statements*, requiring the Company to present impairment of receivables and contract assets as a separate item of the statement of profit or loss. The comparative data in the statement of profit or loss for the six months ended June 30th 2017 has been adjusted accordingly, without an effect on operating profit. Previously, the Company presented such costs as other expenses.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE SIX MONTHS ENDED**

JUNE 30TH 2018

Note 1. REVENUE

If one of the following criteria specified in IFRS 15.35 is met:

- a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date,

revenue from long-term contracts is recognised over time. Otherwise, revenue is recognised when control of a good is passed to the external customer at a certain point in time. The percentage of completion is determined by reference to costs incurred to date in comparison with total contract costs determined in accordance with the Group's best estimate.

At the end of each reporting period, the Group 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 the statement of profit or loss as a provision for future costs of contract performance.

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.

Revenue recognised over time is revenue guaranteed under the original contract, adjusted to account for any subsequent amendments (annexes). Changes in contract revenue are recognised when it is certain or at least when it is highly probable 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.

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 denominated in a currency other than the functional currency, the revenue at the end of the reporting period is calculated first of all based on the exchange rate used for partial invoicing, pro rata to the percentage of contract completion. In order to determine the exchange rate applicable to advance payments, the transaction date is the date of initial recognition of the advance payment as an asset or liability. If there are multiple advance payments or receipts, the transaction date is determined for each such payment or receipt. 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 prepayments received for deliveries. Up to the amount of the estimated contract revenue, prepayments reduce the receivables under settlement of long-term contracts.

Any excess of invoiced amounts over revenue is recognised under liabilities related to settlement of contracts. Any excess of revenue over invoiced amounts is recognised as an asset related to settlement of contracts.

Revenue from sale of finished goods in the six months ended June 30th 2018 amounted to PLN 261m (in the six months ended June 30th 2017: PLN 241m), up 8% year on year. Revenue from sale of merchandise and materials in the six months ended June 30th 2018 amounted to PLN 7m (in the six months ended June 30th 2017: PLN 4m), up 61% year on year.

Note 2. OPERATING SEGMENTS

The operations of the SECO/WARWICK Group are divided into five main business segments:

- Vacuum Furnaces
- aluminium heat treatment systems (Aluminium Process + Controlled Atmosphere Brazing),

- Atmosphere Furnaces (Thermal)
- Melting Furnaces,
- Aftersales.

Vacuum furnaces (Vacuum)

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

Melting furnaces

Vacuum melting furnaces are used in the metallurgical industry for consolidation, smelting and refining of specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Their physical properties require processing in technologically advanced equipment and in high vacuum conditions.

A separate group of melting furnaces are melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines and medical implants).

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

Thermal

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

Aluminium heat treatment systems (Aluminium Process)

The Aluminium Process solutions offered by the Group are used in the manufacturing of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. Aluminium Process systems are also used to heat treat aluminium castings. CAB systems are used primarily in the automotive industry for brazing of heat exchangers mounted in passenger cars and heavy goods vehicles (charge air coolers, air conditioning evaporators and condensers, oil coolers, etc.). Outside the automotive industry, CAB processes are used in the manufacture of IC radiators, steam condensers for CHP plants, exhaust gas heat exchangers for power generators, etc.

Aftersales

The Aftersales Segment offers conversion, upgrades and modification of customer-owned equipment, including equipment manufactured by third parties. This segment also includes sale of spare parts and all aftersale services.

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

H1 2018	Continuing operations						Other	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total		
Total segment revenue	71,428	34,981	38,948	81,275	41,181	267,812	207	268,019
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
Total segment expenses	-55,928	-27,332	-28,856	-70,566	-28,338	-211,020	-679	-211,699
Gross profit/(loss)	15,499	7,650	10,092	10,709	12,842	56,792	-472	56,320

H1 2017	Continuing operations						Other	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total		
Total segment revenue	63,131	23,660	78,156	42,491	37,753	245,191	137	245,328
Sales to customers accounting for 10% or more of revenue	-	-	-	41,467	-	-	-	41,467
Total segment expenses	-50,605	-22,852	-63,763	-51,933	-25,841	-214,994	-1,459	-216,453
Gross profit/(loss)	12,526	807	14,392	-9,441	11,912	30,197	-1,322	28,875

Note 3. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Reversal of provisions	766	5
Gain on disposal of property, plant and equipment	696	-
Penalties and compensation/damages received	433	2,941
Income from lease of tangible assets and investment property	601	492
Grant for development work	508	505
Other	35	76
Total other income	3,039	4,018

OTHER EXPENSES	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Loss on disposal of property, plant and equipment	1	53
Court expenses, compensation/damages, penalties	69	6
Cost of lease of tangible assets	89	125
Donations	7	40
Provision for damages	-	2
Liquidation of tangible assets	216	-
Other	460	253
Total other expenses	843	478

Note 4. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Interest income	31	31
Net gain/(loss) on derivative instruments	-	7,789
Net foreign exchange gains	2,592	-
Other	31	-
Total finance income	2,655	7,820

FINANCE COSTS	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Interest on bank borrowings	1,930	1,378
Net gain/(loss) on derivative instruments	2,334	-
Net foreign exchange losses	-	815
Other	136	223
Total finance costs	4,400	2,416

Note 5. EARNINGS PER SHARE

Item	Jun 30 2018	Jun 30 2017
Net profit from continuing operations attributable to shareholders	10,255	-10,625
Profit(loss) from discontinued operations attributable to shareholders	0	-2,367
Net profit attributable to owners of the parent	10,255	-12,992
Interest on redeemable preference shares convertible into ordinary shares	-	-
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	10,255	-12,992
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	10,298,554	10,298,554
Earnings per share	1.00	-1.26
Dilutive effect:		
Number of potential subscription warrants	-	-
Number of potential shares issued at market price	-	-
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	-	-
Diluted earnings per share	1.00	-1.26

Note 6. PROPERTY, PLANT AND EQUIPMENT

As at June 30th 2018, net property, plant and equipment were PLN 80,029 thousand, up PLN 1,845 thousand on December 31st 2017.

In the six months ended June 30th 2018, gross property, plant and equipment increased by PLN 4,647 thousand, mainly on account of acquisitions (PLN 3,646 thousand) and lease contracts (PLN 805 thousand). Gross property, plant and equipment decreased by PLN 1,632 thousand, mainly as a result of sale (PLN 1,199 thousand) and liquidation (PLN 433 thousand). Depreciation for the six months ended June 30th 2018 was PLN 3,616 thousand. Accumulated depreciation of property, plant and equipment decreased by PLN 937 thousand as a result of sale or liquidation. Exchange differences amounted to PLN 1,222 thousand in the six months ended June 30th 2018. Tangible assets under construction rose by PLN 286 thousand compared with December 31st 2017, to PLN 5,983 thousand as at June 30th 2018.

In the six months ended June 30th 2017, gross property, plant and equipment increased by PLN 5,562 thousand on account of acquisitions. Gross property, plant and equipment decreased by PLN 15,028 thousand, primarily as a result of sale (PLN 11,410 thousand), liquidation (PLN 976 thousand) and reclassification to assets for sale (PLN 2,366 thousand). Depreciation for the six months ended June 30th 2017 was PLN 4,214 thousand. Accumulated depreciation of property, plant and equipment decreased by PLN 4,358 thousand as a result of sale. In the six months ended June 30th 2017, PLN 1,540 thousand was reversed from impairment losses on property, plant and equipment. In the six months ended June 30th 2017, exchange differences were PLN 4,306 thousand.

Tangible assets under construction were PLN 5,697 thousand as at December 31st 2017.

Tangible assets under construction

<i>Tangible assets under construction as at Jan 1 2018</i>	<i>Expenditure incurred during the period</i>	<i>Accounting for the expenditure</i>				<i>As at Jun 30 2018</i>
		<i>Buildings, premises and civil engineering structures</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other</i>	
5,697	4,767	1,375	2,014	810	282	5,983

<i>Tangible assets under construction as at Jan 1 2017</i>	<i>Expenditure incurred during the period</i>	<i>Accounting for the expenditure</i>				<i>As at Dec 31 2017</i>
		<i>Buildings, premises and civil engineering structures</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other</i>	
2,738	8,604	1,328	2,866	139	1,312	5,697

Note 7. INTANGIBLE ASSETS

As at June 30th 2018, net intangible assets were PLN 41,245 thousand, up PLN 4,490 thousand on December 31st 2017.

In the six months ended June 30th 2018, gross intangible assets increased by PLN 5,883 thousand on account of acquisitions. Amortisation for the six months ended June 30th 2018 was PLN 1,432 thousand. Accumulated amortisation of intangible assets increased by PLN 14 thousand. In the six months ended June 30th 2018, no impairment losses on intangible assets were recognised. Exchange differences amounted to PLN 53 thousand.

In the six months ended June 30th 2017, gross intangible assets increased by PLN 4,223 thousand on account of acquisitions. Amortisation for the six months ended June 30th 2017 was PLN 1,059 thousand. Accumulated amortisation of intangible assets increased by PLN 14 thousand. In the six months ended June 30th 2017, no impairment losses on intangible assets were recognised. Exchange differences amounted to PLN -176 thousand.

Note 8. IMPAIRMENT LOSSES ON ASSETS

<i>Impairment losses on</i>	<i>Jun 30 2018</i>	<i>Dec 31 2017</i>
Trade receivables	4,769	4,502
Goodwill	44,946	44,946
Inventories	2,130	3,326
Tangible assets	854	1,008

<i>IMPAIRMENT LOSSES ON TRADE RECEIVABLES</i>	<i>Jun 30 2018</i>	<i>Dec 31 2017</i>
As at beginning of the period	4,502	18,508
Increase	239	447
Use (-)	-16	-64
Assets designated as assets for sale	-	-13,916
Net exchange differences on translating financial statements into presentation currency	44	-474
As at end of the period	4,769	4,502

Note 9. INVENTORIES

Item	Jun 30 2018	Dec 31 2017
Materials (at cost)	33,488	29,354
Semi-finished products and work in progress	22,074	10,740
Finished goods	2,955	1,180
Merchandise	693	84
Total inventories (carrying amount)	59,209	41,357
write-down to net realisable value	2,130	3,325
Gross inventories	61,340	44,683

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	Total
Jan 1 2017	2,208	1,382	214	5	3,807
Increase, including:	64	1,868	-	-	1,931
- write-downs recognised in correspondence with other expenses	64	1,868	-	-	1,931
Net exchange differences on translating financial statements into presentation currency	-	-	-	-	-
Decrease, including:	2,378	-	35	-	2,413
- use	1,930	-	35	-	1,965
Net exchange differences on translating financial statements into presentation currency	448	-	-	-	448
Dec 31 2017	-107	3,249	178	5	3,325
Jan 1 2018	-107	3,249	178	5	3,325
Increase, including:	216	-	-	-	216
- write-downs recognised in correspondence with other expenses	216	-	-	-	216
Net exchange differences on translating financial statements into presentation currency	-	-	-	-	-
Decrease, including:	-	1,411	-	-	1,411
- use	-	1,425	-	-	1,425
Net exchange differences on translating financial statements into presentation currency	-	-14	-	-	-14
Jun 30 2018	-	1,838	-	-	2,131

Note 10. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

No dividends were proposed or approved by the date of authorisation of these financial statements.

Note 11. GOODWILL

Item	Jun 30 2018	Dec 31 2017
Consolidation goodwill at beginning of period	36,019	43,004
Exchange differences on translation of goodwill	2,668	-6,985
Total goodwill at end of period	38,687	36,019

Note 12. LONG-TERM CONTRACTS

The note presents revenue from the contract commencement dates to the reporting date.

Contracts in progress at the end of the reporting period	Jun 30 2018	Dec 31 2017
Included in the consolidated financial statements at amounts due:		
From customers under construction contracts	127,625	103,780
To customers under construction contracts	-83,356	-100,271
	44,269	3,509

Revenue from a contract in progress recognised as revenue in H1 2018 amounted to PLN 235,984 thousand (H1 2017: PLN 225,277 thousand).

As at June 30th 2018, prepayments received from customers for contract work totalled PLN 196,802 thousand (December 31st 2017: PLN 141,064 thousand).

Note 13. CAPITAL COMMITMENTS

As at June 30th 2018, the Group had capital commitments related to property, plant and equipment of PLN 110 thousand. The amount was allocated for purchase of new plant and equipment.

Note 14. LOANS AND OTHER FINANCIAL ASSETS

	Jun 30 2018	Dec 31 2017
Increase in loans advanced, including:	57	74
- non-current	-	-
- current	57	74
Other financial assets	12	17
	69	91

In 2017 and in H1 2018, no loans were granted to members of Management Boards or Supervisory Boards of the Group companies.

Note 15. DERIVATIVE FINANCIAL INSTRUMENTS

	Jun 30 2018		Dec 31 2017	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	1,295	3,626	7,237	19
Total hedging instruments				
- non-current	19	581	1,983	-
- current	1,276	3,045	5,254	19

Disclosures of derivative financial instruments which qualify for hedge accounting

In H1 2018, SECO/WARWICK S.A. used currency forwards to hedge on average 60% of its export cash flows denominated in EUR and 66% of its cash flows denominated in USD. The purpose was to hedge the budgeted exchange rates for contracts. Any changes in the value of EUR- or USD-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 9 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 effectiveness of transactions is assessed by comparing the maturity dates and notional amounts of the hedged item and the hedging instrument.

The table below presents total values of hedging relationships open as at June 30th 2018.

Jun 30 2018	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2017	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (YTD) (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	51,050	28,830	21,728	-1,615	-145	-1,470	from Jul 31 2018 to Mar 31 2020
Jun 30 2018	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2017	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (YTD) (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	51,482	29,224	11,997	-628	-439	-189	from Jul 31 2018 to Feb 27 2020
Jun 30 2018	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2017	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (YTD) (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	497	300	200	-88	-82	-6	from Jul 31 2018 to Jul 31 2018

The table below presents total values of hedging relationships open as at December 31st 2017.

Dec 31 2017	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 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	56,085	30,490	23,211	3,803	2,492	1,311	from Jan 15 to Sep 30 2018
Dec 31 2017	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 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	50,566	32,214	11,614	2,014	803	1,211	from Jan 31 2018 to Jan 31 2019
Dec 31 2017	Notional amount of contract (CZK '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 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	31,000	31,000	27,900	68	1	67	from Jan 30 2018 to Apr 27 2019
Dec 31 2017	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 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 16. OTHER SHORT-TERM RECEIVABLES

Item	Jun 30 2018	Dec 31 2017
receivables under prepayments	9,080	9,745
tax, custom duties, social security, health insurance and other benefits receivables	9,210	5,885
other receivables	3,135	1,378
Total other short-term receivables	21,424	17,008

Note 17. OTHER CURRENT LIABILITIES

Item	Jun 30 2018	Dec 31 2017
prepayments received for deliveries	14,526	-
salaries, wages and other obligations towards employees	6,404	6,170
other liabilities	916	3,709
Total current liabilities	21,845	9,879

Note 18. MATERIAL ERROR CORRECTIONS

No material error corrections were made in H1 2018.

Note 19. OFF-BALANCE-SHEET ITEMS
Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 34,024 thousand as at June 30th 2018 and PLN 62,720 thousand at the end of 2017. The guarantees were issued in respect of:

Item		Jun 30 2018	Dec 31 2017
APG	Advance payment guarantee	29,614	43,435
CRG	Credit repayment guarantee	-	2085
PBG	Performance bond guarantee	-	1,969
SBLC	Stand-by letter of credit	-	11,140
BBG	Bid bond guarantee	150	4091
WOG	warranty obligations guarantee	4,260	-
Total		34,024	62,720

Note 20. SETTLEMENTS RELATED TO COURT CASES

For detailed information on court cases, see Note 35 to the consolidated financial statements for the period ended December 31st 2017. By the date of issue of these financial statements, the Company had not received any additional information.

Note 21. MATERIAL INFORMATION ON RELATED PARTIES

There were no material transactions with related parties.

Note 22. OTHER PROVISIONS

Item	Jun 30 2018	Dec 31 2017
Provision for warranty repairs	16,482	263
Provision for contracts delivered with a loss	3,376	4,000
Other provisions	1,306	1,157
Other provisions	21,164	5,420

Note 23. FAIR VALUE HIERARCHY

All financial instruments (presented in Note 15) are classified by the Group at level 2 of the fair value hierarchy. The method and technique used to measure financial instruments at fair value are the same as those applied as at December 31st 2017. Both in the reporting period and the comparative period, there were no transfers between the levels of fair value hierarchy of financial instruments at the Group, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments.

Note 24. SEASONALITY OR CYCLICALITY OF BUSINESS IN THE REPORTING PERIOD

The SECO/WARWICK Group’s business is not exposed to any significant seasonal or cyclical fluctuations.

Note 25. EVENTS NON-TYPICAL DUE TO THEIR NATURE, SCALE OR FREQUENCY

There were no non-typical events other than those described herein.

Note 26. MATERIAL EVENTS WHICH OCCURRED AFTER THE END OF THE REPORTING PERIOD AND ARE NOT DISCLOSED IN THESE FINANCIAL STATEMENTS

No such events occurred.

Note 27. DISCONTINUED OPERATIONS

On December 20th 2017, the Management Board of SECO/WARWICK S.A. passed a resolution to sell 98% of shares in SECO/WARWICK Allied Pvt. Ltd. (“SW Allied”) of India. This information was announced to the public on the same day in Current Report No. 19/2017.

In the consolidated statement of financial position of the SECO/WARWICK Group for H1 2018, the SW Allied business is shown as assets held for sale and liabilities related to assets held for sale. As a result of a reversal of an impairment loss revaluing the company’s assets to their recoverable amount, the company’s business had no effect on the Group’s profit or loss.

The table below presents discontinued operations.

	Jan 1–Jun 31 2018	Jan 1–Jun 31 2017
Revenue from sale of finished goods	5,182	8,608
Revenue from sale of merchandise and materials	-	-
Revenue	5,182	8,608
Cost of finished goods sold	-5,088	-8,376
Cost of merchandise and materials sold	-	-
Cost of sales	-5,088	-8,376
Gross profit/(loss)	93	232
Other income	149	1,359
Distribution costs	-26	-124
Administrative expenses	-2,151	-3,337
Other expenses	-	-
Operating profit/(loss)	-1,934	-1,869
Finance income	-	409
Finance costs	-540	-906
Profit/(loss) before tax	-2,474	-2,367
Income tax	-	-
Net profit/(loss)	-2,474	-2,367
Reversal of impairment of assets to recoverable amount	2,474	-
Profit/(loss) from discontinued operations	-	-2,367

Date: September 11th 2018

Piotr Walasek	Paweł Wyrzykowski	Sławomir Woźniak	Bartosz Klinowski
<i>Chief Financial Officer</i>	<i>President of the Management Board</i>	<i>Vice President of the Management Board</i>	<i>Member of the Management Board</i>



INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2018

INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
 (PLN '000)

	Note	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
		(unaudited)	(unaudited)
Revenue from sale of finished goods and services		140,893	129,074
Revenue from sale of merchandise and materials		138	15
Revenue		141,031	129,089
Cost of finished goods sold and services rendered		-110,682	-109,482
Cost of merchandise and materials sold		-136	-12
Cost of sales		-110,818	-109,494
Gross profit/(loss)		30,213	19,595
Other income	1	3,619	4,754
Distribution costs		-7,089	-7,135
Administrative expenses		-11,306	-10,682
Impairment of receivables and contract assets		-581	-2,739
Other expenses	1	-672	-179
Operating profit/(loss)		14,184	3,614
Finance income	2	1,948	8,155
Finance costs	2	-4,299	-924
Profit/(loss) before tax		11,834	10,845
Income tax		-2,647	-2,804
Net profit/(loss) from continuing operations		9,186	8,041
Profit/(loss) from discontinued operations		-	-
Net profit/(loss)		9,186	8,041
OTHER COMPREHENSIVE INCOME:			
Cash flow hedges		-5,107	4,556
Income tax on other comprehensive income		970	-866
Other comprehensive income, net		-4,136	3,690
Total comprehensive income		5,050	11,732

Earnings/(loss) per share (PLN):

 - basic and diluted, from net profit/(loss) 0.89 0.78

Date: September 11th 2018

Krzysztof Opszalski

Paweł Wyrzykowski

Sławomir Woźniak

Bartosz Klinowski

Chief Accountant
*President of the
Management Board*
*Vice President of the Management
Board*
*Member of the
Management Board*

INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION
(PLN '000)

	Note	Jun 30 2018 (unaudited)	Dec 31 2017 (audited)
Non-current assets			
Property, plant and equipment	3	58,957	58,566
Investment property		364	371
Intangible assets		40,843	36,268
Long-term receivables		3,839	4,532
Investments in subsidiaries, jointly controlled entities and associates	4	60,275	61,161
Deferred tax assets		0	28
Other financial assets		20	1,983
		164,297	162,908
Current assets			
Inventories		24,243	22,242
Trade receivables		36,464	45,380
Income tax assets		16	16
Other short-term receivables		15,317	9,671
Cash and cash equivalents		16,132	30,913
Other financial assets		2,334	6,329
Current prepayments and accrued income		1,121	2,669
Contract settlement		87,638	73,131
		183,266	190,349
Assets held for sale		-	-
TOTAL ASSETS		347,563	353,257

INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION
 (PLN '000)

	Note	Jun 30 2018 (unaudited)	Dec 31 2017 (audited, restated)
Equity			
Share capital		3,616	3,616
Statutory reserve funds		130,960	114,460
Hedging reserve		-2,031	2,106
Capital reserves		11,383	10,088
Retained earnings / accumulated losses		29,435	37,359
		173,363	167,629
Non-current liabilities			
Borrowings		4,725	7,885
Other financial liabilities		3,910	3,030
Deferred tax liabilities		1,666	-
Provision for retirement and similar benefits		838	838
Deferred income		12,801	12,793
		23,939	24,546
Current liabilities			
Borrowings		63,996	62,953
Other financial liabilities		3,998	1,058
Trade payables		28,748	28,518
Other current liabilities		7,176	9,853
Provision for retirement and similar benefits		5,367	6,346
Other provisions		10,350	2,738
Deferred income		1,015	1,015
Contract settlement		29,610	48,603
		150,261	161,082
TOTAL EQUITY AND LIABILITIES		347,563	353,257

Date: September 11th 2018

Krzysztof Opszalski

Chief Accountant

Paweł Wyrzykowski

*President of the
Management Board*

Sławomir Woźniak

*Vice President of the
Management Board*

Bartosz Klinowski

*Member of the Management
Board*

INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS

(PLN '000)

	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before tax	11,834	10,845
Total adjustments:	-13,192	-19,852
Depreciation and amortisation	3,649	3,220
Foreign exchange gains/(losses)	-175	-195
Interest and profit distributions (dividends)	1,023	843
Gain/(loss) on investing activities	399	-873
Balance-sheet valuation of derivative instruments	4,511	-7,510
Change in provisions	-2,130	-4,070
Change in inventories	-2,001	-462
Change in receivables	3,962	3,652
Change in current liabilities (other than financial liabilities)	120	-6,087
Change in accruals, deferrals and contracts	-23,844	-8,772
Other adjustments	1,295	402
Income tax (paid)/refunded	-	1,743
Net cash from operating activities	-1,358	-7,263
INVESTING ACTIVITIES		
Cash provided by investing activities	1,194	222
Proceeds from disposal of intangible assets and property, plant and equipment	1,162	169
Decrease in loans advanced	32	-
Other inflows from financial assets	-	53
Cash used in investing activities	10,647	15,281
Investments in intangible assets, property, plant and equipment, and investment property	10,647	7,355
Acquisition of shares in related entities	-	6,926
Other cash used in investing activities	-	1,000
Net cash from investing activities	-9,453	-15,059
FINANCING ACTIVITIES		
Cash provided by financing activities	5,597	27,247
Borrowings	5,597	27,247
Cash used in financing activities	9,831	5,887
Repayment of borrowings	7,803	4,543
Payment of finance lease liabilities	990	437
Interest paid	1,038	907
Net cash from financing activities	-4,233	21,360
Total net cash	-15,044	-961
Net change in cash, including:	-14,780	-961

- effect of exchange rate fluctuations on cash held	264	0
Cash acquired from merger with SECO/WARWICK Europe	-	17,688
Cash at beginning of period	30,913	1,368
Cash at end of period	16,132	18,095

Date: September 11th 2018

Krzysztof Opszalski

Chief Accountant

Paweł Wyrzykowski

*President of the
Management Board*

Sławomir Woźniak

*Vice President of the
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Bartosz Klinowski

*Member of the
Management Board*

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY
(PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at January 1st 2018 (audited)	3,616	114,460	2,106	10,088	37,359	167,629
Effect of IFRS 15	-	-	-	-	-611	-611
Equity as at January 1st 2018 following the application of IFRS 15 (audited)	3,616	114,460	2,106	10,088	36,748	167,018
Profit/(loss) for the period	-	-	-	-	9,186	9,186
Other comprehensive income	-	-	-4,136	-	-	-4,136
Total comprehensive income for the year	-	-	-4,136	-	9,186	5,050
Transfer of retained earnings to statutory reserve funds	-	16,499	-	-	-16,499	0
Management stock options	-	-	-	1,295	-	1,295
Equity as at June 30th 2018 (unaudited)	3,616	130,960	-2,031	11,383	29,435	173,363

	Share capital	Statutory reserve funds	Hedging reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at January 1st 2017 (audited)	3,616	97,674	-	9,284	-1,999	108,576
Profit/(loss) for the period	-	-	-	-	8,041	8,041
Other comprehensive income	-	-	3,690	-	-	3,690
Total comprehensive income for the year	-	-	3,690	-	8,041	11,732
Business combinations	-	13,532	-2,313	1,075	31,587	43,881
Transfer of retained earnings to statutory reserve funds	-	-6,946	-	-	1,999	-4,947
Management stock options	-	-	-	402	-	402
Equity as at June 30th 2017 (unaudited)	3,616	104,260	1,377	10,761	39,628	159,643

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY
(PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at January 1st 2017 (audited)	3,616	97,674	0	9,284	-1,999	108,576
Profit/(loss) for the period	-	-	4,419	-	16,499	20,918
Total comprehensive income for the year	-	-	4,419	-	16,499	20,918
Dividend	-	-	-	-	-4,947	-4,947
Transfer from statutory reserve funds to profit/(loss) brought forward	-	-6,946	-	-	6,946	-
Business combinations	-	23,732	-2,313	-	20,859	42,278
Management stock options	-	-	-	804	-	804
Equity as at December 31st 2017 (audited)	3,616	114,460	2,106	10,088	37,359	167,629

Date: September 11th 2018

Krzysztof Opszalski

Paweł Wyrzykowski

Sławomir Woźniak

Bartosz Klinowski

Chief Accountant

President of the Management Board

Vice President of the Management Board

Member of the Management Board



**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED**

JUNE 30TH 2018

BASIS OF PREPARATION

These interim condensed separate financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (the "Regulation").

These interim condensed separate financial statements of the Company should be read in conjunction with the interim condensed consolidated financial statements authorised for issue by the Management Board and published on the same day as the interim condensed separate financial statements to obtain full information on the assets and financial position of the SECO/WARWICK Group as at June 30th 2018 and the financial result for the period from January 1st to June 30th 2018 in accordance with the International Financial Reporting Standards approved by the European Union. These interim condensed separate financial statements do not include all the information and disclosures required to be included in full-year financial statements, and should be read in conjunction with the separate financial statements for the year ended December 31st 2017, authorised for issue on April 26th 2018.

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

The comparative data is sourced from the statement of financial position as at December 31st 2017 and from the statement of comprehensive income, statement of cash flows and statement of changes in equity for the six months ended June 30th 2017.

In the preparation of these condensed separate financial statements, none of the published but not yet effective standards or standard interpretations have been applied.

These interim condensed financial statements for the six months ended June 30th 2018 have been prepared on the going concern assumption.

These interim condensed financial statements have been prepared in accordance with the same accounting policies and computation methods as those applied to prepare the most recent full-year financial statements.

In these interim condensed financial statements, there have been no significant changes in the estimated amounts which were presented in the previous interim periods of the current financial year or changes in the estimates presented in previous financial years that would have a material effect on the current interim period.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* was issued on May 28th 2014 and is effective for reporting periods beginning on or after January 1st 2018. The standard was endorsed by the European Union on September 22nd 2016.

The standard applies to almost all contracts with customers and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* as well as numerous interpretations related to revenue recognition. The main principle of the standard is that revenue is to be recognised when control of a good or product is passed to the customer at a certain point in time.

In line with IFRS 15, revenue from sales of finished goods, merchandise, materials and services, net of VAT, discounts and rebates, is recognised when the entity has transferred to the buyer the significant risks and rewards incidental to their ownership.

Any goods or services that are sold in bundles that are separately identifiable as part of a contract concluded with a customer should be recognised separately, and any discounts and rebates on the transaction price should be allocated to the specific bundle items.

IFRS 15 introduces a new five-step model to determine the method of revenue measurement and recognition, whereby revenue should be recognised in an amount which reflects consideration to which the entity expects to be entitled, when (or as) the Company satisfies a performance obligation and transfers the goods. Depending on the fulfilment of the criteria specified in the standard, revenue may be recognised either on a one-off basis, at the point in time when control of goods or services is transferred to the customer, or over time, reflecting the performance of the obligation.

The Company analysed individual categories of revenue and contracts in terms of the effect of applying IFRS 15 on the revenue recognition method, in particular in terms of the timing of recognition and the recognised amount of revenue; the Company also verified the correctness of presentation of individual revenue categories.

Following the application of IFRS 15, retained earnings of PLN -0.6m (net effect) were recognised as a result of separation of costs of potential warranty repairs from contract settlement and their recognition under provisions for warranty repairs and a change in the timing of revenue recognition for some contracts.

The Company applied the standard using the modified retrospective method in which the cumulative effect of first-time adoption of the standard is recognised as an asset while contractual obligations, work in progress, provisions for warranty repairs and liabilities arising from advance payments received – in correspondence with retained earnings as at the first day of application of the standard, i.e. January 1st 2018.

Dec 31 2017 effect of IFRS 15 Jan 1 2018

	Dec 31 2017	effect of IFRS 15	Jan 1 2018
ASSETS			
Non-current assets			
Property, plant and equipment	58,566		58,566
Investment property	371		371
Intangible assets	36,268		36,268
Investments in associates	4,532		4,532
Long-term receivables	61,161		61,161
Other financial assets	28		28
Deferred tax assets	1,983	143	2,126
	162,908	143	163,051
Current assets			
Inventories	22,242	-3,947	18,295
Trade receivables	45,380		45,380
Income tax assets	16		16
Other short-term receivables	9,671		9,671
Cash and cash equivalents	30,913		30,913
Other financial assets	6,329		6,329
Other non-financial assets	2,669		2,669
Contract settlement	73,131	2,436	75,567
	190,349	- 1,511	188,838
Assets held for sale	-		-
TOTAL ASSETS	353,257	-1,368	351,890

Dec 31 2017 *Effect of IFRS 15* Jan 1 2018

EQUITY AND LIABILITIES			
Equity			
Share capital	3,616		3,616
Statutory reserve funds	114,460		114,460
Other components of equity	2,106		2,106
Hedging reserve	10,088		10,088
Retained earnings / accumulated losses	37,359	-611	36,748
	167,629	-611	167,018
Non-current liabilities			
Borrowings	7,885		7,885
Other financial liabilities	3,030		3,030
Deferred tax liabilities	-		-
Provision for retirement and similar benefits	838		838
Deferred income	12,793		12,793
	24,546	0	24,546
Current liabilities			
Borrowings	62,953		62,953
Other financial liabilities	1,058		1,058
Trade payables	28,518	0	28,518
Other current liabilities	9,853		9,853
Provision for retirement and similar benefits	6,346		6,346
Other provisions	2,738	4,796	7,534
Deferred income	1,015		1,015
Contract settlement	48,603	-5,553	43,050
	161,082	-757	160,325
TOTAL EQUITY AND LIABILITIES	353,257	-1,368	351,890

IFRS 9 *Financial Instruments*

IFRS 9 defines three categories of financial assets based on the entity's business model for managing a given asset and the asset's contractual cash flow characteristics:

- assets measured at amortised cost after initial recognition – if financial assets are held under a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of those financial assets give rise to cash flows that are solely payments of principal and interest;
- assets measured at fair value through other comprehensive income after initial recognition – if financial assets are held under a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling the assets, and the contractual terms of those financial assets give rise to cash flows that are solely payments of principal and interest;
- assets measured at fair value through profit or loss – all other financial assets.

IFRS 9 does not require any changes in the classification of the Company's financial liabilities.

IFRS 9 replaces the incurred credit losses model with the expected credit losses model. The Group establishes an allowance for expected credit losses in the amount equal to expected credit losses over the

lifetime of trade receivables, cash and cash equivalents and contract assets. The difference between the carrying amount of trade receivables measured in accordance with IAS 39 and the new carrying amount measured in accordance with IFRS 9 as at January 1st 2018 was immaterial.

IFRS 9 necessitated a consequential amendment to IAS 1 *Presentation of Financial Statements*, requiring the Company to present impairment of receivables and contract assets as a separate item of the statement of profit or loss. The comparative data in the statement of profit or loss for the six months ended June 30th 2017 has been adjusted accordingly, without an effect on operating profit. Previously, the Company presented such costs as other expenses.

Note 1. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Gain on disposal of non-financial non-current assets	660	-
Reversal of provisions for liquidated damages under construction contracts	750	102
Settlement of grant	508	505
Penalties and compensation/damages received	386	2,941
Income from lease of tangible assets and investment property	584	492
Income from invoicing of subsidiaries	419	202
Other	312	513
Total other income	3,618	4,754

OTHER EXPENSES	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Loss on disposal of non-financial assets	-	22
Penalties and compensation/damages paid	69	6
Donations	7	1
Costs related to leases	84	125
Other	512	26
Total other expenses	672	179

Note 2. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Interest income	54	69
Net gain/(loss) on derivative instruments	-	7,823
Net foreign exchange gains	1,894	263
Total finance income	1,948	8,155

FINANCE COSTS	Jan 1–Jun 30 2018	Jan 1–Jun 30 2017
Interest paid	1,041	917
Net gain/(loss) on derivative instruments	2,334	-
Impairment losses on equity interests	886	-

Impairment losses on loans	37	-
Other	-	6
Total finance costs	4,299	924

*impairment loss on the equity interest in SECO/WARWICK France in connection with the cessation of its business.

Note 3. PROPERTY, PLANT AND EQUIPMENT

As at June 30th 2018, net property, plant and equipment were PLN 58,957 thousand, up PLN 391 thousand on December 31st 2017.

In the six months ended June 30th 2018, gross property, plant and equipment increased by PLN 3,206 thousand, mainly on account of acquisitions (PLN 2,289 thousand) and lease contracts (PLN 849 thousand). Gross property, plant and equipment decreased by PLN 1,467 thousand, mainly as a result of sale (PLN 1,045 thousand) and liquidation (PLN 422 thousand). Depreciation for the six months ended June 30th 2018 was PLN 2,335 thousand. Accumulated depreciation of property, plant and equipment decreased by PLN 792 thousand as a result of sale or liquidation. Tangible assets under construction rose by PLN 195 thousand compared with December 31st 2017, to PLN 3,000 thousand as at June 30th 2018.

In the six months ended June 30th 2017, gross property, plant and equipment increased by PLN 4,000 thousand, mainly on account of acquisitions (PLN 3,730 thousand). Gross property, plant and equipment decreased by PLN 1,804 thousand, primarily as a result of sale (PLN 765 thousand) and liquidation (PLN 769 thousand). Depreciation for the six months ended June 30th 2017 was PLN 2,172 thousand. Accumulated depreciation of property, plant and equipment decreased by PLN 703 thousand mainly as a result of sale (PLN 575 thousand).

Tangible assets under construction were PLN 2,805 thousand as at December 31st 2017.

Note 4. INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at Jun 30 2018	Gross amount of equity interests	Impairment losses on equity interests	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	27	2,386	100%	100%
SECO WARWICK USA Holding	7,703	-	7,703	100%	100%
Total	134,685	74,413	60,272		

As at Dec 31 2017	Gross amount of equity interests	Impairment losses on equity interests	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%
Total	134,685	73,525	61,158		

As the business of SECO/WARWICK France was discontinued by a decision of the management board, an impairment loss was recognised on assets invested in that subsidiary.

Note 5. IMPAIRMENT LOSSES ON ASSETS

Impairment losses on	Jun 30 2018	Dec 31 2017
Trade receivables	9,436	8,856
Equity interests in subsidiaries	74,164	73,278
Inventories and tangible assets	1,081	2,131
Loans	3,525	3,488

IMPAIRMENT LOSSES ON TRADE RECEIVABLES	Jun 30 2018	Jun 30 2017
Opening balance	8,856	5,257
Increase, including:	836	3,171
- merger of SWSA and SWE	-	436
- impairment losses recognised	836	2,735
Decrease, including:	255	3
- impairment losses reversed	255	3
Closing balance	9,436	8,425

IMPAIRMENT LOSSES ON EQUITY INTERESTS	Jun 30 2018	Jun 30 2017
Opening balance	73,278	73,116
Increase, including:	886	32
- merger of SWSA and SWE	-	32
- impairment losses recognised	886	-
Decrease, including:	-	-
- impairment losses reversed	-	-
Closing balance	74,164	73,148

WRITE-DOWNS OF INVENTORIES AND IMPAIRMENT LOSSES ON TANGIBLE ASSETS	Jun 30 2018	Jun 30 2017
Opening balance	2,131	-
Increase, including:	-	1,740
- merger of SWSA and SWE	-	1,740
- write-downs/impairment losses recognised	-	-
Decrease, including:	1,050	1,540
- write-downs/impairment losses reversed	1,050	1,540
Closing balance	1,081	200

IMPAIRMENT LOSSES ON LOANS	Jun 30 2018	Jun 30 2017
Opening balance	3,488	2,824
Increase, including:	37	-
- impairment losses recognised	37	-

Decrease, including:	-	-
- impairment losses reversed	-	-
Closing balance	3,525	2,824

Note 6. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

No dividends were proposed or approved by the date of authorisation of these financial statements.

Note 7. CAPITAL COMMITMENTS

As at June 30th 2018, the Company had capital commitments related to property, plant and equipment of PLN 110 thousand. The amount was allocated for purchase of new plant and equipment.

Note 8. RELATED PARTY TRANSACTIONS

Related party	year	Sales to related parties	Purchase from related parties	Receivables from related parties	Liabilities due to related parties
SECO/WARWICK Corporation					
	<i>Jun 30 2018</i>	4,480	-	1,960	-
	<i>Jun 30 2017</i>	4,293	161	4,295	91
	<i>Dec 31 2017</i>	5,191	725	927	639
Retech Systems LLC					
	<i>Jun 30 2018</i>	5,872	30	1,259	36
	<i>Jun 30 2017</i>	1,852	1,125	1,506	3,989
	<i>Dec 31 2017</i>	3,814	8,882	1,271	1,918
SECO/WARWICK Allied Pvt. Ltd.					
	<i>Jun 30 2018</i>	16	-	-	101
	<i>Jun 30 2017</i>	409	9	-	101
	<i>Dec 31 2017</i>	600	9	-	96
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.					
	<i>Jun 30 2018</i>	304	646	987	3,242
	<i>Jun 30 2017</i>	1,928	743	957	709
	<i>Dec 31 2017</i>	2,228	5,444	717	4,366
SECO VACUUM TECHNOLOGIES LLC					
	<i>Jun 30 2018</i>	8,415	89	5,788	96
	<i>Jun 30 2017</i>	50	-	48	-
	<i>Dec 31 2017</i>	143	-	136	-
SECO/WARWICK GmbH					
	<i>Jun 30 2018</i>	-	-	-	51
	<i>Jun 30 2017</i>	-	-	9	50
	<i>Dec 31 2017</i>	-	-	-	49
SECO/WARWICK Germany GmbH					
	<i>Jun 30 2018</i>	3,269	980	4,795	730
	<i>Jun 30 2017</i>	41	402	4,570	656
	<i>Dec 31 2017</i>	2,618	1,024	3,704	33
SECO/WARWICK Services Sp. z o.o.					
	<i>Jun 30 2018</i>	1,220	105	236	11
	<i>Jun 30 2017</i>	1,646	828	913	15

	<i>Dec 31 2017</i>	3,302	944	951	13
SECO/WARWICK France					
	<i>Jun 30 2018</i>	4	2	4	6
	<i>Jun 30 2017</i>	16	483	16	208
	<i>Dec 31 2017</i>	64	842	57	44
SECO/WARWICK Rus					
	<i>Jun 30 2018</i>	1,577	1,387	2,431	-
	<i>Jun 30 2017</i>	21	202	160	542
	<i>Dec 31 2017</i>	9,196	523	3,499	522
SECO/WARWICK Systems and Services India PVT. Ltd.					
	<i>Jun 30 2018</i>	4	546	47	352
	<i>Jun 30 2017</i>	-	-	-	-
	<i>Dec 31 2017</i>	42	47	41	46

Note 9. PRESENTATION ADJUSTMENTS MADE

No material error corrections were made in H1 2018.

Note 10. SEASONALITY OR CYCLICALITY OF BUSINESS IN THE REPORTING PERIOD

SECO/WARWICK S.A.'s business is not exposed to any significant seasonal or cyclical fluctuations.

Note 11. EVENTS NON-TYPICAL DUE TO THEIR NATURE, SCALE OR FREQUENCY

No such events occurred.

Note 12. MATERIAL EVENTS WHICH OCCURRED AFTER THE END OF THE REPORTING PERIOD AND ARE NOT DISCLOSED IN THESE FINANCIAL STATEMENTS

No such events occurred.

Note 13. ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

No such events occurred.

Note 14. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Remuneration of the Management Board:

	Jun 30 2018	Jun 30 2017
Paweł Wyrzykowski	423	1,225
Sławomir Woźniak	329	287
Wojciech Peret	-	300
Bartosz Klinowski	236	287
Total	988	2,099

Remuneration of the Supervisory Board:

	Jun 30 2018	Jun 30 2017
Andrzej Zawistowski	118	100
- for his service as Chairman of the Supervisory Board	60	60
- under contract for advisory services ⁽¹⁾	58	40
Jeffrey Boswell	71	79
- for his service as Chairman of the Supervisory Board	-	-
- under employment contract ⁽²⁾	71	79
Henryk Pilarski	27	27
Marcin Murawski	21	21
James A. Goltz	-	281
- for his service as Chairman of the Supervisory Board	-	-
- under employment contract ⁽³⁾	-	281
Paweł Tamborski	11	21
Jacek Tucharz	11	-
Total	259	529

(1) Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as USŁUGI DORADCZE Andrzej Zawistowski. The contract 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.

Date: September 11th 2018

Piotr Walasek

*Chief Financial
Officer*

Paweł Wyrzykowski

*President of the
Management Board*

Sławomir Woźniak

*Vice President of the
Management Board*

Bartosz Klinowski

*Member of the
Management Board*