



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2018**

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1ST–SEPTEMBER 30TH 2018**

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

	Jan 1–Sep 30 2018	Jan 1–Sep 30 2018	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017
	(unaudited)	(unaudited)	(unaudited, restated)	(unaudited, restated)
Revenue from sale of finished goods and services	391,771	130,475	356,486	115,327
Revenue from sale of merchandise and materials	8,550	1,828	7,594	3,425
<b>Revenue</b>	<b>400,322</b>	<b>132,303</b>	<b>364,079</b>	<b>118,751</b>
Cost of finished goods sold and services rendered	-309,032	-103,557	-312,148	-99,033
Cost of merchandise and materials sold	-8,250	-2,027	-6,026	-2,688
<b>Cost of sales</b>	<b>-317,283</b>	<b>-105,584</b>	<b>-318,174</b>	<b>-101,720</b>
<b>Gross profit/(loss)</b>	<b>83,039</b>	<b>26,719</b>	<b>45,906</b>	<b>17,031</b>
Other income	3,818	779	5,159	1,141
Distribution costs	-26,364	-8,154	-28,582	-8,516
Administrative expenses	-39,045	-13,944	-35,789	-11,167
Impairment of receivables and contract assets	-602	-363	638	1,266
Other expenses	-575	267	-927	-448
<b>Operating profit/(loss)</b>	<b>20,271</b>	<b>5,305</b>	<b>-13,595</b>	<b>-694</b>
Finance income	1,317	-1,337	8,513	693
Finance costs	-4,401	-1	-2,653	-237
Share of net profit/(loss) of associates	63	24	64	33
<b>Profit/(loss) before tax</b>	<b>17,250</b>	<b>3,991</b>	<b>-7,671</b>	<b>-205</b>
Income tax	-3,850	-900	-4,232	-1,118
Net profit/(loss) from continuing operations	13,401	3,091	-11,903	-1,323
Profit/(loss) from discontinued operations	-	-	-3,324	-957
<b>Net profit/(loss)</b>	<b>13,401</b>	<b>3,091</b>	<b>-15,226</b>	<b>-2,280</b>
<b>Net profit/(loss) attributable to</b>				
Owners of the parent	<b>13,308</b>	<b>3,053</b>	<b>-15,295</b>	<b>-2,303</b>
Non-controlling interests	93	38	68	23

**EARNINGS PER SHARE:**

- basic earnings/(loss) per share attributable to owners of the parent	1.29	0.30	-1.49	-0.22
- diluted earnings/(loss) per share attributable to owners of the parent	1.29	0.30	-1.49	-0.22
- basic earnings/(loss) per share from continuing operations, attributable to owners of the parent	1.29	0.30	-1.16	-0.22
- diluted earnings/(loss) per share from continuing operations, attributable to owners of the parent	1.29	0.30	-1.16	-0.22

**OTHER COMPREHENSIVE INCOME:**

**Items that will not be reclassified to profit or loss:**

Actuarial gains/(losses) on a defined benefit pension plan	758	11	-216	0
Income tax on other comprehensive income	-265	-4	76	0

**Items that may be reclassified to profit or loss:**

Valuation of cash flow hedging derivatives	-3,137	1,970	2,870	-1,686
Exchange differences on translating foreign operations, including income tax effect	2,361	-1,057	-10,211	-1,352
Income tax on other comprehensive income	596	-374	-545	320
<b>Total other comprehensive income, net</b>	<b>312</b>	<b>545</b>	<b>-8,027</b>	<b>-2,718</b>
<b>Total comprehensive income</b>	<b>13,713</b>	<b>3,636</b>	<b>-23,253</b>	<b>-4,998</b>

**Total comprehensive income attributable to**

Owners of the parent	13,683	3,600	-23,355	-5,017
Non-controlling interests	30	36	102	20

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

	Sep 30 2018 (unaudited)	Dec 31 2017 (audited)
<b>Non-current assets</b>		
Property, plant and equipment	79,290	78,184
Investment property	360	371
Goodwill	37,973	36,019
Intangible assets	44,343	36,755
Long-term receivables	3,481	4,532
Other financial assets	37	2,000
Deferred tax assets	141	180
	<b>165,625</b>	<b>158,040</b>
<b>Current assets</b>		
Inventories	66,159	41,357
Trade receivables	79,084	69,071
Income tax assets	306	232
Other short-term receivables	15,570	17,008
Cash and cash equivalents	34,850	52,077
Other financial assets	1,810	5,328
Other non-financial assets	6,892	3,949
Contract settlement	116,940	103,780
	<b>321,611</b>	<b>292,803</b>
<b>Assets held for sale</b>	<b>25,693</b>	<b>33,154</b>
<b>TOTAL ASSETS</b>	<b>512,929</b>	<b>483,997</b>

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

	Sep 30 2018 (unaudited)	Dec 31 2017 (audited)
<b>Equity</b>		
Share capital	3,616	3,616
Statutory reserve funds	193,449	176,142
Other components of equity	11,725	10,088
Hedging reserve	-435	2,106
Retained earnings / accumulated losses	-42,704	-40,705
	<b>165,651</b>	<b>151,248</b>
<b>Equity attributable to owners of the parent</b>		
	<b>165,651</b>	<b>151,248</b>
<b>Non-controlling interests</b>	<b>-28</b>	<b>-58</b>
	<b>165,624</b>	<b>151,190</b>
<b>Non-current liabilities</b>		
Borrowings	3,211	8,055
Other financial liabilities	3,619	3,296
Deferred tax liabilities	10,177	7,814
Provision for retirement and similar benefits	2,216	2,820
Deferred income	12,564	12,793
	<b>31,787</b>	<b>34,778</b>
<b>Current liabilities</b>		
Borrowings	82,197	70,184
Other financial liabilities	2,363	1,560
Trade payables	75,033	59,981
Income tax payable	185	188
Taxes, customs duties and social security payable	8,654	6,048
Other current liabilities	5,933	9,879
Provision for retirement and similar benefits	9,671	10,330
Other provisions	24,290	5,420
Deferred income	1,312	1,015
Contract settlement	82,163	100,271
	<b>291,800</b>	<b>264,875</b>
<b>Liabilities directly related to discontinued operations</b>	<b>23,717</b>	<b>33,154</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>512,929</b>	<b>483,997</b>



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 (PLN '000)

	Jan 1–Sep 30 2018	Jan 1–Sep 30 2017
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before tax from continuing operations	17,250	-10,995
Profit/(loss) before tax from discontinued operations	-	-
<b>Profit/(loss) before tax</b>	<b>17,250</b>	<b>-10,995</b>
<b>Total adjustments:</b>	<b>-19,413</b>	<b>15,091</b>
Share of net profit of associates	-3	-80
Depreciation and amortisation	6,990	8,226
Foreign exchange gains/(losses)	132	-3,895
Interest and profit distributions (dividends)	1,890	2,383
Gain/(loss) on investing activities	-540	-2,539
Balance-sheet valuation of derivative instruments	3,701	-6,619
Change in provisions	8,721	-3,696
Change in inventories	-23,861	-10,320
Change in receivables	-14,918	14,457
Change in current liabilities (other than financial liabilities)	22,438	25,874
Change in accruals, deferrals and contracts	-26,179	-6,537
Other adjustments	2,217	-2,161
<b>Income tax (paid)/refunded</b>	<b>-875</b>	<b>5,647</b>
<b>Net cash from operating activities</b>	<b>-3,038</b>	<b>9,743</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>1,858</b>	<b>15,149</b>
Proceeds from disposal of intangible assets and property, plant and equipment	1,359	8,525
Other inflows from financial assets	499	6,623
<b>Cash used in investing activities</b>	<b>19,062</b>	<b>14,123</b>
Investments in intangible assets, property, plant and equipment, and investment property	17,008	14,123
Other cash used in investing activities	2,054	-
<b>Net cash from investing activities</b>	<b>-17,204</b>	<b>1,025</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash provided by financing activities</b>	<b>9,134</b>	<b>23,476</b>
Borrowings	9,134	23,476
Other inflows	-	-
<b>Cash used in financing activities</b>	<b>6,483</b>	<b>19,835</b>
Repayment of borrowings	3,089	11,461
Dividends and other distributions to owners	-	4,947
Other financial liabilities	3	4
Payment of finance lease liabilities	1,556	755
Interest paid	1,835	2,669
<b>Net cash from financing activities</b>	<b>2,651</b>	<b>3,641</b>
<b>Total net cash</b>	<b>-17,591</b>	<b>14,409</b>
<b>Net change in cash, including:</b>	<b>-17,302</b>	<b>32,642</b>
- effect of exchange rate fluctuations on cash held	72	0
<b>Cash at beginning of period</b>	<b>52,369</b>	<b>41,334</b>
<b>Cash at end of period</b>	<b>34,850</b>	<b>55,743</b>



**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
<b>Equity as at January 1st 2018</b>	<b>3,616</b>	<b>176,143</b>	<b>2,106</b>	<b>10,088</b>	<b>17,439</b>	<b>-58,144</b>	<b>151,248</b>	<b>-58</b>	<b>151,190</b>
Profit/(loss) for the period	-	-	-	-	-	13,308	13,308	93	13,401
Other comprehensive income	-	-	-2,541	-	2,424	493	375	-63	312
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-2,541</b>	<b>-</b>	<b>2,424</b>	<b>13,800</b>	<b>13,683</b>	<b>30</b>	<b>13,713</b>
Management stock options	-	-	-	1,637	-	-	1,637	-	1,637
Distribution of profit (dividend)	-	-	-	-	-	-	-	-	-
Transfer of retained earnings/deficit to statutory reserve funds	-	17,307	-	-	-	-17,307	-	-	-
Opening balance adjustment due to IFRS 15	-	-	-	-	-	-916	-916	-	-916
<b>Equity as at September 30th 2018 (unaudited)</b>	<b>3,616</b>	<b>193,449</b>	<b>-435</b>	<b>11,725</b>	<b>19,863</b>	<b>-62,567</b>	<b>165,652</b>	<b>-27</b>	<b>165,624</b>
<b>Equity as at January 1st 2017</b>	<b>3,616</b>	<b>182,429</b>	<b>-2,313</b>	<b>9,284</b>	<b>27,029</b>	<b>-19,770</b>	<b>200,275</b>	<b>-544</b>	<b>199,731</b>
Profit/(loss) for the period	-	-	-	-	-	-15,295	-15,295	68	-15,226
Other comprehensive income	-	-	2,325	-	-10,245	-140	-8,061	34	-8,027
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,325</b>	<b>-</b>	<b>-10,245</b>	<b>-15,435</b>	<b>-23,355</b>	<b>102</b>	<b>-23,253</b>
Management stock options	-	-	-	603	-	-	603	-	603
Distribution of profit (dividend)	-	-	-	-	-	-4,947	-4,947	-	-4,947
Transfer of retained earnings/deficit to statutory reserve funds	-	-6,286	-	-	-	6,286	-	-	-
Accounting for increase of control at SWR	-	-	-	-	-	-434	-434	434	-
<b>Equity as at September 30th 2017 (unaudited)</b>	<b>3,616</b>	<b>176,143</b>	<b>12</b>	<b>9,887</b>	<b>16,784</b>	<b>-34,300</b>	<b>172,142</b>	<b>-8</b>	<b>172,134</b>
	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings / accumulated	Equity attributable to owners of	Equity attributable to non-controlling	Total equity

						losses	the parent	interests	
<b>Equity as at January 1st 2017</b>	<b>3,616</b>	<b>182,429</b>	<b>-2,313</b>	<b>9,284</b>	<b>27,029</b>	<b>-19,770</b>	<b>200,275</b>	<b>-544</b>	<b>199,731</b>
Profit/(loss) for the period	-	-	-	-	-	-41,860	-41,860	17	-41,843
Other comprehensive income	-	-	4,419	-	-9,590	2,581	-2,590	35	-2,555
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>4,419</b>	<b>-</b>	<b>-9,590</b>	<b>-39,279</b>	<b>-44,450</b>	<b>52</b>	<b>-44,399</b>
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	-
<b>Equity as at December 31st 2017</b>	<b>3,616</b>	<b>176,143</b>	<b>2,106</b>	<b>10,088</b>	<b>17,439</b>	<b>-58,144</b>	<b>151,248</b>	<b>-58</b>	<b>151,190</b>



**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1ST–SEPTEMBER 30TH 2018**

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

	Jan 1–Sep 30 2018	Jan 1–Sep 30 2018	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from sale of finished goods and services	203,991	63,098	191,060	61,985
Revenue from sale of merchandise and materials	138	0	30	15
<b>Revenue</b>	<b>204,129</b>	<b>63,098</b>	<b>191,089</b>	<b>62,000</b>
Cost of finished goods sold and services rendered	-161,826	-51,144	-159,951	-50,469
Cost of merchandise and materials sold	-136	0	-26	-14
<b>Cost of sales</b>	<b>-161,962</b>	<b>-51,144</b>	<b>-159,977</b>	<b>-50,483</b>
<b>Gross profit/(loss)</b>	<b>42,168</b>	<b>11,954</b>	<b>31,112</b>	<b>11,517</b>
Other income	4,397	779	6,328	1,574
Distribution costs	-10,305	-3,217	-10,657	-3,522
Administrative expenses	-15,909	-4,602	-15,378	-4,696
Impairment of receivables and contract assets	-361	220	-2,907	-168
Other expenses	-874	-202	-567	-387
<b>Operating profit/(loss)</b>	<b>19,116</b>	<b>4,932</b>	<b>7,931</b>	<b>4,317</b>
Finance income	1,166	-782	12,412	4,257
Finance costs	-4,057	242	-4,122	-3,198
<b>Profit/(loss) before tax</b>	<b>16,225</b>	<b>4,391</b>	<b>16,221</b>	<b>5,376</b>
Income tax	-2,981	-334	-3,975	-1,171
Net profit/(loss) from continuing operations	13,244	4,057	12,246	4,205
Profit/(loss) from discontinued operations	-	-	-	-
<b>Net profit/(loss)</b>	<b>13,244</b>	<b>4,057</b>	<b>12,246</b>	<b>4,205</b>
<b>OTHER COMPREHENSIVE INCOME:</b>				
Cash flow hedges	-3,137	1,970	2,870	-1,686
Income tax on other comprehensive income	596	-374	-545	320
<b>Other comprehensive income, net</b>	<b>-2,541</b>	<b>1,596</b>	<b>2,325</b>	<b>-1,366</b>
<b>Total comprehensive income</b>	<b>10,703</b>	<b>5,653</b>	<b>14,571</b>	<b>2,839</b>
Earnings/(loss) per share (PLN):				
- basic and diluted, from net profit/(loss)	1.29	0.39	1.19	0.39

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

	Sep 30 2018 (unaudited)	Dec 31 2017 (audited)
<b>Non-current assets</b>		
Property, plant and equipment	58,825	58,566
Investment property	360	371
Intangible assets	44,005	36,268
Long-term receivables	3,455	4,532
Investments in subsidiaries, jointly controlled entities and associates	62,327	61,161
Deferred tax assets	-	28
Other financial assets	26	1,983
	<b>168,997</b>	<b>162,908</b>
<b>Current assets</b>		
Inventories	27,741	22,242
Trade receivables	39,375	45,380
Income tax assets	16	16
Other short-term receivables	11,286	9,671
Cash and cash equivalents	19,589	30,913
Other financial assets	2,411	6,329
Current prepayments and accrued income	4,655	2,669
Contract settlement	87,060	73,131
	<b>192,133</b>	<b>190,349</b>
<b>Assets held for sale</b>	-	-
<b>TOTAL ASSETS</b>	<b>361,130</b>	<b>353,257</b>

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

	Sep 30 2018 (unaudited)	Dec 31 2017 (audited)
<b>Equity</b>		
Share capital	3,616	3,616
Statutory reserve funds	130,960	114,460
Hedging reserve	-435	2,106
Capital reserves	11,725	10,088
Retained earnings / accumulated losses	33,492	37,359
	<b>179,358</b>	<b>167,629</b>
<b>Non-current liabilities</b>		
Borrowings	3,145	7,885
Other financial liabilities	3,381	3,030
Provision for retirement and similar benefits	838	838
Deferred tax liabilities	2,374	-
Deferred income	12,564	12,793
	<b>22,302</b>	<b>24,546</b>
<b>Current liabilities</b>		
Borrowings	65,147	62,953
Other financial liabilities	2,216	1,058
Trade payables	33,923	28,518
Other current liabilities	10,214	9,853
Provision for retirement and similar benefits	5,098	6,346
Other provisions	11,222	2,738
Deferred income	1,041	1,015
Contract settlement	30,611	48,603
	<b>159,471</b>	<b>161,082</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>361,130</b>	<b>353,257</b>

**INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS**  
 (PLN '000)

	Jan 1–Sep 30 2018	Jan 1–Sep 30 2017
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
<b>Profit/(loss) before tax</b>	<b>16,225</b>	<b>16,221</b>
<b>Total adjustments:</b>	<b>-6,574</b>	<b>-4,356</b>
Depreciation and amortisation	5,558	4,811
Foreign exchange gains/(losses)	-99	-291
Interest and profit distributions (dividends)	1,559	1,304
Gain/(loss) on investing activities	432	-871
Balance-sheet valuation of derivative instruments	3,701	-6,619
Change in provisions	-1,528	-4,193
Change in inventories	-5,499	-2,480
Change in receivables	5,466	7,841
Change in current liabilities (other than financial liabilities)	8,209	3,984
Change in accruals, deferrals and contracts	-26,010	-8,446
Other adjustments	1,637	603
<b>Income tax (paid)/refunded</b>	<b>-</b>	<b>1,568</b>
<b>Net cash from operating activities</b>	<b>9,651</b>	<b>13,433</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>1,718</b>	<b>2,923</b>
Proceeds from disposal of intangible assets and property, plant and equipment	1,271	211
Decrease in loans advanced	447	2,712
<b>Cash used in investing activities</b>	<b>17,153</b>	<b>24,201</b>
Investments in intangible assets, property, plant and equipment, and investment property	15,102	10,652
Acquisition of shares in related entities	2,051	12,549
Other cash used in investing activities	-	1,000
<b>Net cash from investing activities</b>	<b>-15,436</b>	<b>-21,278</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash provided by financing activities</b>	<b>6,535</b>	<b>34,003</b>
Borrowings	6,535	34,003
<b>Cash used in financing activities</b>	<b>12,147</b>	<b>18,596</b>
Repayment of borrowings	9,053	11,567
Dividend	-	4,947
Payment of finance lease liabilities	1,512	710
Interest paid	1,581	1,373
<b>Net cash from financing activities</b>	<b>-5,611</b>	<b>15,407</b>
<b>Total net cash</b>	<b>-11,396</b>	<b>7,562</b>
<b>Net change in cash, including:</b>	<b>-11,324</b>	<b>7,815</b>
- effect of exchange rate fluctuations on cash held	72	253
Cash acquired from merger with SECO/WARWICK Europe	-	17,688
<b>Cash at beginning of period</b>	<b>30,913</b>	<b>1,368</b>
<b>Cash at end of period</b>	<b>19,589</b>	<b>26,871</b>



**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
<b>Equity as at January 1st 2018 (audited)</b>	<b>3,616</b>	<b>114,460</b>	<b>2,106</b>	<b>10,088</b>	<b>37,359</b>	<b>167,629</b>
Effect of IFRS 15	-	-	-	-	-611	-611
<b>Equity as at January 1st 2018 following the application of IFRS 15 (audited)</b>	<b>3,616</b>	<b>114,460</b>	<b>2,106</b>	<b>10,088</b>	<b>36,748</b>	<b>167,018</b>
Profit/(loss) for the period	-	-	-	-	13,244	13,244
Other comprehensive income	-	-	-2,541	-	-	-2,541
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-2,541</b>	<b>-</b>	<b>13,244</b>	<b>10,703</b>
Transfer of retained earnings to statutory reserve funds	-	16,499	-	-	-16,499	-
Management stock options	-	-	-	1,637	-	1,637
<b>Equity as at September 30th 2018 (unaudited)</b>	<b>3,616</b>	<b>130,960</b>	<b>-435</b>	<b>11,725</b>	<b>33,493</b>	<b>179,358</b>

	Share capital	Statutory reserve funds	Hedging reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
<b>Equity as at January 1st 2017</b>	<b>3,616</b>	<b>97,674</b>	-	<b>9,284</b>	<b>-1,999</b>	<b>108,576</b>
Profit/(loss) for the year	-	-	-	-	12,246	12,246
Other comprehensive income	-	-	2,325	-	-	2,325
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,325</b>	<b>-</b>	<b>12,246</b>	<b>14,571</b>
Management stock options	-	-	-	603	-	603
Merger of SWSA and SWE	-	13,532	-2,313	1,075	31,548	43,841
Transfer of retained earnings to statutory reserve funds	-	-6,946	-	-	1,999	-4,947
<b>Equity as at September 30th 2017 (unaudited)</b>	<b>3,616</b>	<b>104,260</b>	<b>11</b>	<b>10,962</b>	<b>43,794</b>	<b>162,644</b>

	Share capital	Statutory reserve funds	Hedging reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
<b>Equity as at January 1st 2017</b>	<b>3,616</b>	<b>97,674</b>	-	<b>9,284</b>	<b>-1,999</b>	<b>108,576</b>
Profit/(loss) for the year	-	-	-	-	16,499	<b>16,499</b>
Other comprehensive income	-	-	4,419	-	-	<b>4,419</b>
<b>Total comprehensive income for the year</b>	-	-	<b>4,419</b>	-	<b>16,499</b>	<b>20,918</b>
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
<b>Equity as at December 31st 2017 (audited)</b>	<b>3,616</b>	<b>114,460</b>	<b>2,106</b>	<b>10,088</b>	<b>37,359</b>	<b>167,629</b>



**SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1ST–SEPTEMBER 30TH 2018**

## I. General information

### The SECO/WARWICK Group

SECO/WARWICK S.A. (the “Company” or the “Parent”) was entered in the Business Register of the National Court Register on January 2nd 2007, by virtue of a decision issued by the District Court of Zielona Góra, 8th Commercial Division of the National Court Register, on January 2nd 2007 under No. KRS 0000271014.

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.

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.

The Group has one associate:

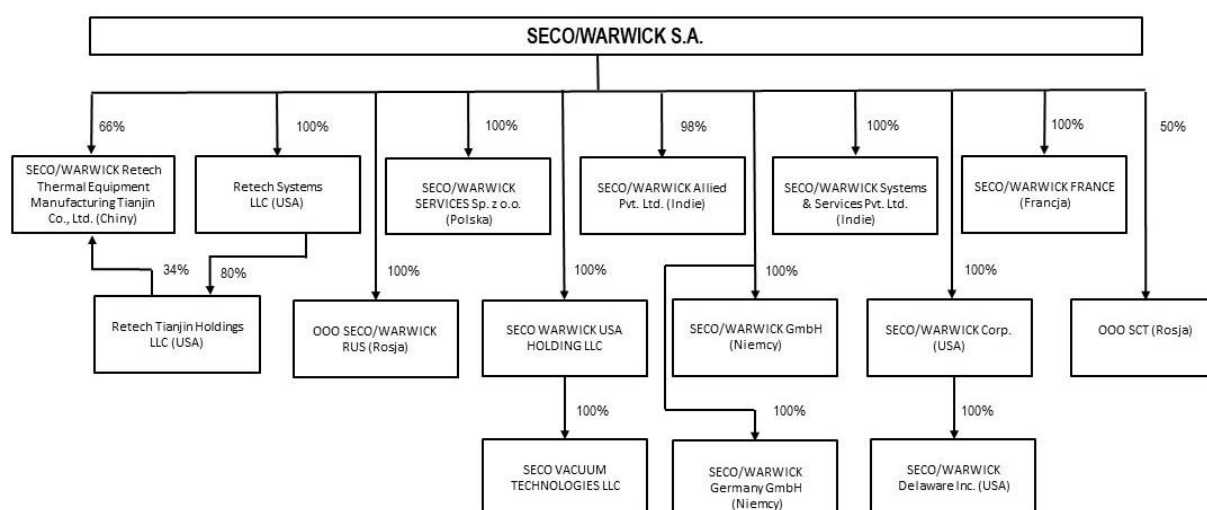
- OOO SCT (Solnechnogorsk) Russia, in which SECO/WARWICK S.A. holds a 50% interest, conferring the right to 50% of the total voting rights in the company.

**Table: Composition of the SECO/WARWICK Group as at September 30th 2018 :**

Company	Registered office	Principal business activity	Method of consolidation/accounting for equity interest	Group's ownership interest
<b>Parent</b>				
SECO/WARWICK S.A.	Świebodzin	Holding company of the SECO/WARWICK Group. Holding equity interests and providing strategic management services Manufacture of equipment for metal heat treatment	N.A.	N.A.
<b>Direct and indirect subsidiaries</b>				
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of equipment for metal heat treatment	Full	100%
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	Holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	Full	100%
SECO/WARWICK Rus	Moscow (Russia)	Distribution of the Group's products	Full	100%
Retech Systems LLC	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of equipment for metal heat treatment	Full	93%
Retech Tianjin Holdings LLC	(USA)	Holding company	Full	80%
SECO/WARWICK Allied Pvt. Ltd.	Mumbai (India)	Manufacture of equipment for metal heat treatment	Full	98%
ALLIED FURNACES PVT. LTD.	Mumbai (India)	Manufacture of equipment for metal heat treatment	Full	98%
ACE THERMAL TECHNOLOGIES PRIVATE LIMITED	Mumbai (India)	Manufacture of equipment for metal heat treatment	Full	98%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces and spare parts manufactured by SECO/WARWICK S.A., and provision of technical support to customers in Germany, Austria, the Netherlands, Switzerland, Liechtenstein and Slovenia	Full	100%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	Equity	50%
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany	Full	100%
SECO/WARWICK France	Roissy-en-Brie (France)	Commercial and technical representation of SECO/WARWICK S.A. in France, French-speaking countries and their neighbouring countries	Full	100%

SECO/WARWICK Services Sp. z o.o.	Świebodzin	Repair and maintenance services	Full	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company	Full	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces	Full	100%
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services	Full	100%

### Organisation of the Group:



### Composition of the SECO/WARWICK Group as at the date of issue of this Report

On October 25th 2018, an agreement was signed to sell shares in ALLIED FURNACES PVT. LTD. and ACE THERMAL TECHNOLOGIES PRIVATE LIMITED of Mumbai, India. It marked the first stage of the sale of SECO/WARWICK Allied Pvt. Ltd., as announced in Current Report No. 19/2017.

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

As at the date of issue of these financial statements and as at September 30th 2018, the Management Board of SECO/WARWICK S.A. 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 as at September 30th 2018, the Supervisory Board of SECO/WARWICK S.A. 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

## II. 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 zloty ("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 the section below 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 these amendments on the accounting policies applied by the Group. However, the Management Board does not expect the implementation of these standards and interpretations to have a material effect on the Group.

### Material judgements and estimates

Material judgements made by the Management Board in applying the Company'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.

### 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 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
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
	<b>158,040</b>	<b>143</b>	<b>158,183</b>
<b>Current assets</b>			
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
	<b>292,803</b>	<b>17,266</b>	<b>310,069</b>
<b>Assets held for sale</b>	<b>33,154</b>		<b>33,154</b>
<b>TOTAL ASSETS</b>	<b>483,997</b>	<b>17,410</b>	<b>501,407</b>

	Dec 31 2017	effect of IFRS 15	Jan 1 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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
<b>Equity attributable to owners of the parent</b>	<b>151,248</b>	<b>-924</b>	<b>150,324</b>

<b>Non-controlling interests</b>	<b>-58</b>		<b>-58</b>
	<b>151,190</b>	<b>-924</b>	<b>150,266</b>
<b>Non-current liabilities</b>			
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
	<b>34,778</b>	<b>0</b>	<b>34,778</b>
<b>Current liabilities</b>			
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
	<b>264,875</b>	<b>18,334</b>	<b>283,209</b>
<b>Liabilities directly related to discontinued operations</b>	<b>33,154</b>		<b>33,154</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>483,997</b>	<b>17,410</b>	<b>501,407</b>

### 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 nine months ended September 30th 2017 has been adjusted accordingly, without an effect on operating profit. Previously, the Company presented such costs as other expenses.

### III. Financial highlights

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	Sep 30 2018	Dec 31 2017	Sep 30 2017
Average exchange rate for the period*	4.2535	-	4.2566
Exchange rate effective for the last day of the period	4.2714	4.1709	4.3091

\*) *Arithmetic mean 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

Consolidated financial highlights	Q1-Q3 from Jan 1 to Sep 30			
	2018	2017	2018	2017
	(PLN '000)		(EUR '000)	
Revenue	400,322	364,079	94,116	85,532
Cost of sales	-317,283	-318,174	-74,594	-74,748
Operating profit/(loss)	20,271	-13,595	4,766	-3,194
Profit/(loss) before tax	17,250	-7,671	4,056	-1,802
Net profit/(loss) attributable to owners of the parent	13,308	-15,295	3,129	-3,593
Net cash flows from operating activities	-3,038	9,743	-714	2,289
Net cash flows from investing activities	-17,204	1,025	-4,045	241
Net cash flows from financing activities	2,651	3,641	623	855
	<b>Sep 30</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Dec 31</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Total assets	512,929	483,997	120,084	116,041
Total liabilities	323,587	299,653	75,757	71,844
Including current liabilities	291,800	264,875	68,315	63,505
Equity	165,624	151,190	38,775	36,249
Share capital	3,616	3,616	847	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:

Separate financial highlights

Financial highlights	Q1-Q3 from Jan 1 to Sep 30			
	2018	2017	2018	2017
	(PLN '000)		(EUR '000)	
Revenue	204,129	191,089	47,991	44,892
Cost of sales	-161,962	-159,977	-38,077	-37,583
Operating profit/(loss)	19,116	7,931	4,494	1,863
Profit/(loss) before tax	16,225	16,221	3,814	3,811
Net profit/(loss)	13,244	12,246	3,114	2,877
Net cash flows from operating activities	9,651	13,433	2,269	3,156
Net cash flows from investing activities	-15,436	-21,278	-3,629	-4,999
Net cash flows from financing activities	-5,611	15,407	-1,319	3,619
	Sep 30 2018	Dec 31 2017	Sep 30 2018	Dec 31 2017
Total assets	361,130	353,257	84,546	84,696
Total liabilities	181,772	185,628	42,556	44,505
Including current liabilities	159,471	161,082	37,334	38,620
Equity	179,358	167,629	41,990	40,190
Share capital	3,616	3,616	847	867



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1ST–SEPTEMBER 30TH 2018**

## Selected supplementary information

### 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 a reporting period is calculated based firstly on the exchange rate used for progress billing, 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 nine months ended September 30th 2018 amounted to PLN 392m (in the nine months ended September 30th 2017: PLN 356m), up 10% year on year. Revenue from sale of merchandise and materials in the nine months ended September 30th 2018 amounted to PLN 9m (in the nine months ended September 30th 2017: PLN 8m), up 13% year on year.

OPERATING SEGMENTS

Jan 1–Sep 30 2018	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total			
<b>Total segment revenue</b>	98,152	42,246	63,987	129,070	66,671	400,125	-	197	400,322
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	-74,260	-35,387	-47,731	-112,900	-45,415	-315,692	-	-1,590	-317,283
<b>Gross profit/(loss)</b>	23,892	6,859	16,256	16,170	21,256	84,433	-	-1,393	83,039

Jan 1–Sep 30 2017	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total			
<b>Total segment revenue</b>	97,886	34,045	103,208	72,219	56,321	363,679	-	400	364,079
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	-76,196	-31,216	-90,801	-78,585	-38,315	-315,113	-	-3,061	-318,174
<b>Gross profit/(loss)</b>	21,690	2,829	12,407	-6,366	18,005	48,566	-	-2,661	45,906



**OTHER INCOME AND EXPENSES**

<b>OTHER INCOME</b>	<b>Jan 1-Sep 30 2018</b>	<b>Jan 1-Sep 30 2017</b>
Reversal of provisions	930	605
Gain on disposal of property, plant and equipment	711	-
Penalties and compensation/damages received	410	3,043
Income from lease of tangible assets and investment property	928	757
Grant for development work	761	726
Other	79	28
<b>Total other income</b>	<b>3,818</b>	<b>5,159</b>

<b>OTHER EXPENSES</b>	<b>Jan 1-Sep 30 2018</b>	<b>Jan 1-Sep 30 2017</b>
Loss on disposal of property, plant and equipment	22	10
Court expenses, compensation/damages, penalties	228	2
Cost related to income from lease of tangible assets	119	175
Donations	7	45
Retirement of an item of property, plant and equipment	174	-
Other	26	695
<b>Total other expenses</b>	<b>575</b>	<b>927</b>

**FINANCE INCOME AND COSTS**

<b>FINANCE INCOME</b>	<b>Jan 1-Sep 30 2018</b>	<b>Jan 1-Sep 30 2017</b>
Interest income	92	153
Net gain/(loss) on derivative instruments	-	8,334
Net foreign exchange gains	1,183	-
Other	42	26
<b>Total finance income</b>	<b>1,317</b>	<b>8,513</b>

<b>FINANCE COSTS</b>	<b>Jan 1-Sep 30 2018</b>	<b>Jan 1-Sep 30 2017</b>
Interest on bank borrowings	2,682	2,229
Net gain/(loss) on derivative instruments	1,518	-
Net foreign exchange losses	-	41
Other	201	383
<b>Total finance costs</b>	<b>4,401</b>	<b>2,653</b>

## PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–September 30th 2018, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 17,008 thousand.

Item	Sep 30 2018	Dec 31 2017
Tangible assets	72,516	72,487
Tangible assets under construction	6,774	5,697
<b>Property, plant and equipment</b>	<b>79,290</b>	<b>78,184</b>

## IMPAIRMENT LOSSES ON ASSETS

Impairment losses on	Sep 30 2018	Dec 31 2017	Sep 30 2017
Trade receivables	7,265	4,502	16,371
Goodwill	44,946	44,946	44,946
Inventories	2,104	3,326	2,568
Tangible assets	854	1,008	833
<b>Total impairment losses</b>	<b>55,168</b>	<b>53,782</b>	<b>64,718</b>

## 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.

## CAPITAL COMMITMENTS

As at September 30th 2018, the SECO/WARWICK Group had capital commitments related to property, plant and equipment of PLN 230 thousand. The funds were allocated for purchase of new machinery and equipment.

## CONSOLIDATED OFF-BALANCE-SHEET ITEMS

### Contingent liabilities

As at September 30th 2018, contingent liabilities under guarantees and sureties issued amounted to PLN 38,681 thousand (end of 2017: PLN 62,720 thousand). The guarantees were issued in respect of:

Item	Sep 30 2018	Dec 31 2017
APG Advance payment guarantee	30,404	43,435
CRG Credit repayment guarantee	-	2,085
PBG Performance bond guarantee	1,768	1,969
SBLC Stand-by letter of credit	-	11,140
PG Payment guarantee	2,719	-
WOG Warranty obligations guarantee	3,790	-
BBG Bid bond guarantee	-	4,091
<b>Total</b>	<b>38,681</b>	<b>62,720</b>

## 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.

### Consistency of the accounting policies and computation methods applied in the preparation of the interim report for Q3 2018

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 (consolidated text: Dz.U. of 2018, item 757) (the "Regulation").

### Seasonality and cyclical nature of SECO/WARWICK S.A.'s and its Group's operations

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

### Types and amounts of items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows, which are extraordinary due to their type, size or effect

In the business of SECO/WARWICK S.A. and its Group, there are no material types or amounts of items that would affect assets, equity and liabilities, share capital, net profit/(loss) or cash flows and that would be unusual due to their type, size or effect.

### Types and amount of changes in estimates disclosed in previous interim periods of the financial year 2018 or changes in estimates disclosed in previous financial years if they have material bearing on Q3 2018

In the business of SECO/WARWICK S.A. and the SECO/WARWICK Group, there were no changes in estimates disclosed in the preceding financial years that would, due to their type or amount, have material bearing on the Company's or the Group's results for Q3 2018.

### Issue, redemption and repayment of debt and equity securities

No such events occurred.

### Earnings per share

Item	Sep 30 2018	Sep 30 2017
Net profit from continuing operations attributable to shareholders	13,401	-11,903
Profit(loss) from discontinued operations attributable to shareholders	0	-3,324
Net profit attributable to owners of the parent	13,308	-15,295
Interest on redeemable preference shares convertible into ordinary shares	-	-
<b>Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share</b>	<b>13,308</b>	<b>-15,295</b>
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	10,298,554	10,298,554
<b>Earnings per share</b>	<b>1.29</b>	<b>-1.49</b>
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	-	-
<b>Diluted earnings per share</b>	<b>1.29</b>	<b>-1.49</b>

**Material events subsequent to the end of Q3 2018, not disclosed in the financial statements for Q3 2018 but having potentially material bearing on the future financial performance of the SECO/WARWICK Group**

No such events occurred.

**Other supplementary information to the Q3 2018 report****1. Material achievements and failures of SECO/WARWICK S.A. and the SECO/WARWICK Group in the nine months ended September 30th 2018 and key related events**

The Group's sales for the nine months ended September 30th 2018 amounted to PLN 400.3m, up 10% year on year. The largest increases were recorded in the Melting Furnaces (particularly at Retech Systems LLC) and Atmosphere Furnaces segments, of +78.7% and +24%, respectively, supported by a slight increase (+0.3%) in the Vacuum Furnaces segment. In the Aftersales segment, sales grew 18%. A significant drop in sales was recorded in the Aluminium Process segment, down 38%.

In the period from January to September 2018, the Group companies secured a backlog of orders worth a total of PLN 321m, compared with PLN 385m in the same period of the previous year. Almost 26% of all orders were placed in the Vacuum Furnaces segment, 23.3% – in the Melting Furnaces segment, 22.2% – in the Aluminium Process segment, 9.3% – in the Atmosphere Furnaces segment and 19.5% – in the Aftersales segment. The value of the Group's order book at the end of September 2018 was PLN 379m, down by 16% year on year (end of September 2017: PLN 452m).

In the first three quarters of 2018, the Group's average gross margin grew to 20.7%, from 12.6% in the same period of the previous year, on higher margins generated in almost all segments: Melting Furnaces (+12.5% vs -8.8% for Q1–Q3 2017), Aluminium Process (25.4% vs 12.0% for Q1–Q3 2017), Atmosphere Furnaces (16.2% vs 8.3% for Q1–Q3 2017), and Vacuum Furnaces (24.3% vs 22.2% for Q1–Q3 2017). The Aftersales segment's margin did not change year on year, remaining at 32%.

Distribution costs and administrative expenses went up by 1.6% to PLN 65.4m in Q1–Q3 2018, relative to PLN 64.4m a year earlier.

**2. Factors and events, especially non-recurring ones, having material bearing on the financial performance in Q3 2018**

In the SECO/WARWICK Group's business there were no factors or events, especially non-recurring ones, that could have had material bearing on the Group's financial performance in Q3 2018.

**3. Changes in the Group's structure, including changes resulting from merger, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations**

In Q3 2018, there were no changes in the organisational structure of the SECO/WARWICK Group's business that would result from mergers, acquisitions or disposals of Group entities, long-term investments, demergers or restructurings.

**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, as 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 the nine months ended September 30th 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–Sep 31 2018	Jan 1–Sep 31 2017
Revenue from sale of finished goods	7,484	13,719
Revenue from sale of merchandise and materials	-	-
<b>Revenue</b>	<b>7,484</b>	<b>13,719</b>
Cost of finished goods sold	-9,306	-12,664
Cost of merchandise and materials sold	-	-
<b>Cost of sales</b>	<b>-9,306</b>	<b>-12,664</b>
<b>Gross profit/(loss)</b>	<b>-1,822</b>	<b>1,056</b>
Other income	1,463	1,371
Distribution costs	-32	-148
Administrative expenses	-3,418	-4,710
Other expenses	-712	-175
<b>Operating profit/(loss)</b>	<b>-4,520</b>	<b>-2,606</b>
Finance income	90	348
Finance costs	-869	-1,065
<b>Profit/(loss) before tax</b>	<b>-5,299</b>	<b>-3,324</b>
Income tax	-	-
<b>Net profit/(loss)</b>	<b>-5,299</b>	<b>-3,324</b>
Impairment of assets to recoverable amount	5,299	-
<b>Profit/(loss) from discontinued operations</b>	<b>0</b>	<b>-3,324</b>

**4. Management Board's position on the feasibility of meeting any previously published forecasts for 2018 in light of the results presented in the Q3 2018 report**

The Management Board of SECO/WARWICK S.A. did not publish any forecasts of the Company's or the Group's financial performance in 2018.

**5. Shareholders holding, directly or indirectly, 5% or more of the total voting rights at the General Meeting as at the date of issue of this Report, including information on any changes subsequent to the issue of the previous periodic report (report for H1 2018)**

**Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the date of issue of the previous report (report for H1 2018), that is September 11th 2018**

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.

**Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the date of issue of the report for Q3 2018, that is November 16th 2018**

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. held 598,500 treasury shares, representing 5.81% of the share capital.

In Current Report No. 20/2018, the Management Board of SECO/WARWICK S.A. announced that on September 20th 2018, the Company, acting pursuant to Resolution No. 1 of its Supervisory Board of March 14th 2018 to terminate the 2016–2018 Incentive Scheme (see Current Report No. 3/2018), concluded agreements to deliver 102,166 treasury shares to beneficiaries of the terminated scheme by way of its partial settlement. Pursuant to the agreements, the beneficiaries received the shares free of charge.

The treasury shares thus delivered represent 0.99% of the Company's share capital and confer the right to 102,166 votes, or 0.99% of the total vote, at the General Meeting.

Following the delivery, the Company holds 496,334 treasury shares, representing 4.82% of its share capital and 4.82% of the total voting rights at the General Meeting.

The SECO/WARWICK Group is not aware of any changes in major holdings of the Company shares in the period from the date of issue of the H1 2018 report, i.e. September 11th 2018, to the date of issue of the report for Q3 2018.

#### **6. SECO/WARWICK S.A. shares held by its managing and supervisory personnel as at the date of issue of this Report, including information on any changes in such holdings subsequent to the date of issue of the previous periodic report (i.e. September 11th 2018, the date of issue of the H1 2018 report)**

Members of the managing and supervisory personnel of SECO/WARWICK S.A. do not hold any shares in related entities.

	Sep 11 2018				Nov 16 2018			
	Number of S/W shares held	Ownership interest	% of total voting rights	Decrease/inc rease	Number of S/W shares held	Ownership interest	% of total voting rights	Total par value of shares (PLN)
<b>Management Board</b>								
Paweł Wyrzykowski	254,558	2.47%	2.47%	52,500	307,058	2.98%	2.98%	61,412
Sławomir Woźniak	20,246	0.20%	0.20%	-	20,246	0.20%	0.20%	4,049
Bartosz Klinowski	50,335	0.49%	0.49%	34,646	84,981	0.83%	0.83%	16,996
<b>Supervisory Board</b>								
Andrzej Zawistowski	65,000	0.63%	0.63%	-	65,000	0.63%	0.63%	13,000
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Henryk Pilarski	10	0.0001%	0.0001%	-	10	0.0001%	0.0001%	2
James A. Goltz	-	-	-	-	-	-	-	-

Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
<b>Commercial proxy</b>								
Piotr Walasek	19,335	0.19%	0.19%	2,100	21,435	0.21%	0.21%	4,287
<b>Total</b>	<b>419,260</b>	<b>4.07%</b>	<b>4.07%</b>	<b>89,246</b>	<b>508,506</b>	<b>4.94%</b>	<b>4.94%</b>	<b>83,852</b>

In Current Report No. 22/2018, the Management Board of SECO/WARWICK S.A. announced that on September 21st 2018 it received notifications, made pursuant to Art. 19.3 of the MAR, of the delivery of SECO/WARWICK S.A. shares, under the incentive scheme, to the following persons discharging managerial responsibilities:

- Paweł Wyrzykowski, President of the Management Board,
- Bartosz Klinowski, Member of the Management Board,
- Piotr Walasek, Chief Financial Officer / Commercial Proxy.

## 7. Material court, arbitration and administrative proceedings

In Q3 2018, neither the Company nor any other SECO/WARWICK Group company was party to any proceedings whose value (whether jointly or individually) would be material.

### 7a. Other material proceedings

For detailed information on material proceedings, 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.

## 8. Transaction or a series of transactions concluded by the Company or any of its subsidiaries with related parties where the value of such transaction or all such transactions jointly is material and the transactions were not concluded at arm's length

In Q3 2018, SECO/WARWICK S.A. and its subsidiaries did not enter into any non-routine and non arm's-length transactions with related parties which would be material to the Group.

## 9. Loan sureties or guarantees provided by SECO/WARWICK S.A. or its subsidiaries, jointly to one entity or its subsidiary, where the total outstanding amount of such sureties or guarantees is significant

In Q3 2018, neither SECO/WARWICK S.A. nor any of its subsidiaries provided any loan sureties or guarantees whose value would be significant.

## 10. Any other information which in the Company's opinion is material for the assessment of its personnel, assets, financial condition and financial performance or changes therein, or for the assessment of the Company's ability to meet its obligations

In Q3 2018, no events occurred in the SECO/WARWICK Group's business which in the Company's opinion would be material for the assessment of its personnel, assets, financial condition and financial result or changes therein, or for the assessment of the Company's ability to meet its obligations.

As at the date of issue of this Report, the Company's and the Group's business was stable. The Group and the Company pay all their liabilities when due.

## 11. Factors which in the Group's opinion will affect its performance in the next quarter or in a longer term

### SECO/WARWICK S.A. Incentive Scheme

#### 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 assumptions of the 2016–2018 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2016–2018 Incentive Scheme").

#### 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 (“Beneficiaries”) relevant agreements (“Agreements”), under which a total of 102,166 Company shares will be delivered to the Beneficiaries free of charge, and compensation bonuses in a total amount of PLN 389.6 thousand will be paid to the Beneficiaries;
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.