HEAT TREATMENT EQUIPMENT

SECO/WARWICK S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY 1ST–DECEMBER 31ST 2012

CONTENTS

GENERAL INFORMATION

I. Company details

Name:		**SECO/WARWICK S.A.**
Legal form:		Joint-stock company (spółka akcyjna)
Registered address:		ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Core business according to the Polish Classification of Business Activities (PKD):		
	28.21.Z	Manufacture of ovens, furnaces and furnace burners,
	33.20.Z	Installation of industrial machinery and equipment,
	28.29.Z	Manufacture of other general-purpose machinery n.e.c.,
	28.24.Z	Manufacture of power-driven hand tools,
	28.99Z	Manufacture of other special-purpose machinery n.e.c.,
	28.94.Z	Manufacture of machinery for textile, apparel and leather production,
	46.14.Z	Agents involved in the sale of machinery, industrial equipment, ships and aircraft,
	46.19.Z	Agents involved in the sale of a variety of goods,
	46.69.Z	Wholesale of other machinery and equipment,
	71.12.Z	Engineering activities and related technical consultancy,
	72.11.Z	Research and experimental development on biotechnology.
National Court Register (KRS) No.:		KRS 0000271014
Industry Identification Number (REGON)		970011679

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

II. Duration

The Company has been established for an indefinite period.

III. Presented periods

These separate financial statements contain data for the period January 1st–December 31st 2012. The comparative data is presented as at December 31st 2011 in the case of the statement of financial position, and for the period from January 1st 2011 to December 31st 2011 in the case of the statement of comprehensive income, statement of cash flows, and statement of changes in equity.

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

MANAGEMENT BOARD		
Composition of the Management Board as at December 31st 2011	Leszek Przybysz Andrzej Zawistowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
Composition of the Management Board as at December 31st 2012	Paweł Wyrzykowski Wojciech Modrzyk Witold Klinowski Józef Olejnik	President of the Management Board Vice-President of the Management Board Member of the Management Board Member of the Management Board
Composition of the Management Board as at January 1st 2013	Paweł Wyrzykowski Wojciech Modrzyk Jarosław Talerzak	President of the Management Board Vice-President of the Management Board Vice-President of the Management Board
SUPERVISORY BOARD		
Composition of the Supervisory Board as at December 31st 2011	Jeffrey Boswell Henryk Pilarski Piotr Kowalewski Piotr Kula Artur Rusiecki Mariusz Czaplicki	Chairman of the Supervisory Board Deputy-Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Composition of the Supervisory Board as at December 31st 2012	Andrzej Zawistowski Henryk Pilarski Jeffrey Boswell James A. Goltz Zbigniew Rogóż Dr Gutmann Habig	Chairman of the Supervisory Board Deputy-Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Composition of the Supervisory Board as at January 1st 2013	Andrzej Zawistowski Henryk Pilarski Jeffrey Boswell James A. Goltz Zbigniew Rogóż Dr Gutmann Habig Witold Klinowski	Chairman of the Supervisory Board Deputy-Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board

Changes in the composition of the Management Board

On January 12th 2012, in Current Report No. 02/2012, the SECO/WARWICK Management Board reported on appointment by the Supervisory Board of Mr Paweł Wyrzykowski to serve as President of the Management Board as of February 1st 2012.

On May 25th 2012, the SECO/WARWICK Management Board was notified of Mr Andrzej Zawistowski's decision to resign as Vice-President and Member of the SECO/WARWICK Management Board. The resignation was due to Mr Zawistowski’s plans to take the position of Chairman of the SECO/WARWICK Supervisory Board. See Current Report No. 14/2012.

On December 14th 2012, in Current Report No. 38/2012, the SECO/WARWICK Management Board reported on Mr Witold Klinowski’s resignation from the position of Member of the Company’s Management Board. The resignation was due to Mr Klinowski’s plans to take the position of Member of the SECO/WARWICK Supervisory Board.

On December 14th 2012, in Current Report No. 38/2012, the SECO/WARWICK Management Board reported on Mr Józef Olejnik's resignation from the position of Member of the Company's Management Board. Mr Józef Olejnik cited his retirement age as the reason behind the resignation.

On December 14th 2012, in Current Report No. 39/2012, the SECO/WARWICK Management Board reported on appointment by the Supervisory Board of Mr Jarosław Talerzak to serve as Vice-President of the Management Board as of January 1st 2013.

Changes in the composition of the Supervisory Board:

On May 25th 2012, the SECO/WARWICK Management Board was notified of Mr Artur Rusiecki's decision to resign as Member of the SECO/WARWICK Supervisory Board, with effect as of May 17th 2012. The resignation was due to important personal reasons. See Current Report No. 15/2012.

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 40 appointed Mr Andrzej Zawistowski to serve as Member of the Company's Supervisory Board. See Current Report No. 17/2012.

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 34 appointed Mr James A. Goltz to serve as Member of the Company's Supervisory Board. See Current Report No. 17/2012.

In Current Report No. 25/2012 of September 3rd 2012, the SECO/WARWICK Management Board reported on Mr Piotr Kula's resignation as Member of the Company's Supervisory Board. The resignation followed from Mr Piotr Kula's appointment, as of September 1st 2012, as Deputy Dean of the Łódź University of Technology.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 10 appointed Mr Witold Klinowski to serve as Member of the Company's Supervisory Board as of January 1st 2013. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 6 removed from office Mr Piotr Kowalewski, who served as Member of the Company's Supervisory Board. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 7 removed from office Mr Mariusz Czaplicki, who served as Member of the Company's Supervisory Board. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 8 appointed Mr Zbigniew Rogóż to serve as Member of the Company's Supervisory Board. See Current Report No. 36/2012.

On November 28th 2012, the Extraordinary General Meeting of SECO/WARWICK S.A. by virtue of Resolution No. 9 appointed Dr Gutmann Habig to serve as Member of the Company's Supervisory Board. See Current Report No. 36/2012.

V. Auditors

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

VI. Major shareholders

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at December 31st 2012:

Shareholder	Number of shares	Ownership interest (%)	Number of votes at GM	% of total vote
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%	1,726,174	16.48%
Bleauhard Holdings LLC	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000	5.73%	600,000	5.73%
AMPLICO	577,470	5.51%	577,470	5.51%
OFE POLSAT S.A.	485,974	4.64%	485,974	4.64%

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

VII. Subsidiaries

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

- SECO/WARWICK EUROPE S.A. (before October 19th 2012: SECO/WARWICK ThermAL S.A.),
- SECO/WARWICK Corporation,
- OOO SECO/WARWICK Group Moscow,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.,
- SECO/WARWICK GmbH,
- OOO SCT (Solnechnogorsk) Russia,
- SECO/WARWICK Service GmbH.

Other Group companies are:

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

VIII. Associates

- SECO/WARWICK Allied Pvt., Ltd., in which the Parent holds a 50% interest conferring the right to 50% of the total vote at the company's general meeting.

KEY FINANCIAL DATA TRANSLATED INTO THE EURO

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

Financial year	Dec 31 2012	Dec 31 2011
Average exchange rate for the period*	4.1736	4.1401
Exchange rate effective for the last day of the period	4.0882	4.4168

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

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

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

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

Separate financial data

Item	2012	2011	2012	2011
	(PLN '000)		(EUR '000)	
Revenue	155,992	126,818	37,376	30,632
Cost of sales	-116,605	-92,051	-27,939	-22,234
Operating profit/(loss)	8,898	9,168	2,132	2,214
Profit (loss) before tax	7,456	5,349	1,786	1,292
Profit (loss), net of tax	5,689	4,169	1,363	1,007
Net cash flows from operating activities	37,765	2,306	9,049	557
Net cash flows from investing activities	-6,334	-2,550	-1,518	-616
Net cash flows from financing activities	-8,568	-1,087	-2,053	-263
	Dec 31 2012	**Dec 31 2011**	**Dec 31 2012**	**Dec 31 2011**
Total assets	236,174	226,541	57,770	51,291
Total liabilities	57,068	55,210	13,959	12,500
including current liabilities	42,388	40,958	10,368	9,273
Equity	179,106	171,332	43,810	38,791
Share capital	3,652	3,652	893	827

STATEMENT OF COMPLIANCE

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, the Management Board of the Parent represents that to the best of its knowledge these financial statements and the comparative data have been prepared in compliance with the accounting standards applicable to the Company and give an accurate, fair and clear view of the Company’s assets, financial standing and financial performance, and the report on the operations of the Company gives a fair view of the development, achievements and position of the Company, and describes the key risks and threats.

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

These financial statements cover the period from January 1st to December 31st 2012 and a comparative period from January 1st to December 31st 2011.

The Management Board represents that the auditor of these financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the audit met the conditions required to issue an impartial and independent auditor's opinion, in accordance with the applicable provisions of Polish law. In line with the corporate governance principles adopted by the Management Board, the auditor was appointed by the Company’s Supervisory Board by virtue of Resolution No. 11/2011 on appointment of the auditor. The Supervisory Board appointed the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor’s tasks.

Date: April 26th 2013

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

SECO/WARWICK S.A.

SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD

JANUARY 1ST–DECEMBER 31ST 2012

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

Assets	Note	Dec 31 2012	as at Dec 31 2011
NON-CURRENT ASSETS		**134,063**	**132,716**
Property, plant and equipment	*9*	19,607	21,167
Investment property	*11*	409	422
Intangible assets	*10*	12,409	12,891
Investments in subsidiary, jointly-controlled and associated entities	*12*	97,432	94,915
Deferred tax assets	*6*	4,207	3,320
CURRENT ASSETS		**98,764**	**90 055**
Inventories	*14*	14,213	14,535
Trade receivables	*16*	33,430	42,783
Income tax assets	*16*	634	1,311
Other current receivables	*16*	6,811	3,740
Accruals and deferred income	*18*	847	834
Financial assets	*17*	2,671	-
Loans and receivables	*17*	2,463	2,453
Cash and cash equivalents	*19*	24,249	1,452
Contract settlement	*15*	13,447	22,948
ASSETS HELD FOR SALE	7	**3,347**	**3,770**
TOTAL ASSETS		**236,174**	**226,541**

Equity and liabilities	Note	Dec 31 2012	as at Dec 31 2011
EQUITY		**179,106**	**171,331**
Share capital	*20*	**3,652**	**3,652**
Statutory reserve funds	*20*	165,531	161,361
Other components of equity	*20*	-	-
Retained earnings/(deficit)	*21*	9,923	6,318
NON-CURRENT LIABILITIES		**14,681**	**14,252**
Borrowings and other debt instruments	*22*	3,100	5,126
Financial liabilities	*17*	-	-
Deferred tax liabilities	*6*	6,828	4,408
Provision for retirement and similar benefits	*24*	238	165
Accruals and deferred income	*26*	4,515	4,552
CURRENT LIABILITIES		**42,388**	**40,958**
Borrowings and other debt instruments	*22*	1,550	8,269
Financial liabilities	*17*	186	4,327
Trade payables	*23*	9,569	11,077
Income tax payable	*23*	-	-
Other current liabilities	*23*	3,120	2,994
Provision for retirement and similar benefits	*24*	2,432	2,180
Other provisions	*24*	1,873	2,072
Accruals and deferred income	*26*	23,658	10,039
LIABILITIES HELD FOR SALE			
TOTAL EQUITY AND LIABILITIES		**236,174**	**226,541**

Date: April 26th 2013

Prepared by: Piotr Walasek	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

	Note	for the period Jan 1–Dec 31 2012	for the period Jan 1–Dec 31 2011
Revenue, including:	*1,2*	**155,992**	**126,818**
Revenue from sale of finished goods		155,459	126,374
Revenue from sale of merchandise and materials		533	444
Cost of sales, including:	*2,3*	**-116,605**	**-92,051**
Finished goods sold		-116,099	-91,729
Merchandise and materials sold		-507	-321
Gross profit/(loss)		**39,387**	**34,768**
Other income	*4*	1,986	1,938
Distribution costs	*2,3*	-4,702	-4,770
Administrative expenses	*2,3*	-25,432	-20,960
Other expenses	*4*	-2,341	-1,808
Operating profit/(loss)		**8,898**	**9,168**
Finance income	*5*	2,585	1,015
Finance costs	*5*	-4,027	-4,834
Profit (loss) before tax		**7,456**	**5,349**
Actual tax expense	*6*	-1,767	-1,180
Net profit (loss) from continuing operations		**5,689**	**4,169**
Profit/(loss) on discontinued operations			
Net profit/(loss) for financial year		**5,689**	**4,169**

OTHER COMPREHENSIVE INCOME:		
Valuation of cash flow hedging derivatives	2,575	-,908
Income tax relating to other comprehensive income	-489	173
Other comprehensive income, net	**2,086**	**-736**
Total comprehensive income	**7,775**	**3,433**

Date: April 26th 2013
Prepared by:
Piotr Walasek

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

SEPARATE STATEMENT OF CASH FLOWS
(PLN '000)

	Note	for the period Jan 1–Dec 31 2012	for the period Jan 1–Dec 31 2011
OPERATING ACTIVITIES			
Pre-tax profit/(loss)	*27*	**7,456**	**5,349**
Total adjustments:		**30,357**	**223**
Depreciation and amortisation	*3*	3,199	2,689
Foreign exchange gains/(losses)		-593	-553
Interest and profit distributions (dividends)		238	463
Profit/(loss) on investing activities		2,352	585
Change in provisions		438	726
Change in inventories		961	-4,477
Change in receivables		6,282	-5,888
Change in current liabilities (other than financial liabilities)		-2,030	-1,533
Change in accruals and deferrals		23,071	4,807
Derivatives		-4,413	3,438
Other adjustments		851	-36
Cash from operating activities		**37,813**	**5,572**
Income tax (paid)/refunded		-48	-3,266
Net cash flows from operating activities		**37,765**	**2,306**
INVESTING ACTIVITIES			,
Cash provided by financing activities		**2,888**	**3,135**
Proceeds from disposal of intangible assets and property, plant and equipment		668	197
Interest received		66	247
Repayment of non-current loans advanced		2,154	2,691
Cash received in connection with derivative instruments			
Outflows		**9,222**	**5,684**
Investments in intangible assets, property, plant and equipment, and investment property		2,232	2,956
Acquisition of related entities		3,703	2,149
Acquisition of securities			
Increase in loans advanced		3,029	453
Cash paid in connection with derivative instruments		258	126
Net cash flows from investing activities		**-6,334**	**-2,550**
FINANCING ACTIVITIES			

Cash provided by financing activities	**0**	**2,301**
Net proceeds from issue of shares or other equity instruments and equity contributions		
Borrowings and other debt instruments		2,301
Issue of debt securities		
Other cash provided by financing activities		
Cash used in investing activities	**8,568**	**3,389**
Acquisition of own shares		
Dividends and other distributions to owners		1,048
Profit distributions other than to owners		
Repayment of loans and borrowings	8,079	1,570
Redemption of debt securities		
Other financial liabilities		
Decrease in finance lease liabilities	187	49
Interest paid	302	722
Other cash used in financing activities		
Net cash flows from financing activities	**-8,568**	**-1,087**
Total net cash flow	**22,863**	**-1,331**
Balance-sheet change in cash, including:	**22,797**	**-1,327**
- exchange differences on cash and cash equivalents	66	4
Cash at beginning of the period	**1,411**	**2,742**
Cash at end of the period, including:	**24,274**	**1,411**
- restricted cash		

Date: April 26th 2013

Prepared by: Piotr Walasek	Paweł Wyrzykowski	Wojciech Modrzyk	Jarosław Talerzak
	President of the Management Board	*Vice-President of the Management Board*	*Vice-President of the Management Board*

SEPARATE STATEMENT OF CHANGES IN EQUITY(PLN '000)

	Share capital	Reserve funds	Capital reserve from revaluation of hedging instruments	Other components of equity	Retained earnings/deficit	reserves Non-controlling interests	Total equity
			Twelve months ended Dec 31 2011				
Equity as at Jan 1 2011	**3,652**	**154,136**	**-17**	**36**	**11,175**	**0**	**168,981**
Total comprehensive income for the twelve months ended Dec 31 2011			-,736		4,169		**3,433**
Dividends					-,1,048		**-,1,048**
Management stock options				-36			**-36**
Distribution of profit		7,225			-,7,225		**0**
Equity as at Dec 31 2011	**3,652**	**161,361**	**-,753**	**0**	**7,071**	**0**	**171,331**
			Twelve months ended Dec 31 2012				
Equity as at Jan 1 2012	**3,652**	**161,361**	**-,753**	**0**	**7,071**	**0**	**171,331**
Total comprehensive income for the twelve months ended Dec 31 2012			2,086		5,689		**7,775**
Dividends							**0**
Management stock options							**0**
Distribution of profit		4,169			-4,169		**0**
Equity as at Dec 31 2012	**3,652**	**165,531**	**1,333**	**0**	**8,591**		**179,106**

Date: April 26th 2013

Prepared by:
Piotr Walasek

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

SECO/WARWICK S.A.

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2012

I. Compliance with International Financial Reporting Standards

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

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

These separate financial statements of the Company should be read in conjunction with the consolidated financial statements approved for publication by the Management Board and released on the date of publication of these condensed separate financial statements, in order to obtain complete information on the SECO/WARWICK Group's assets and financial position as at December 31st 2012 and its financial performance in the period from January 1st to December 31st 2012, in accordance with the International Financial Reporting Standards endorsed by the European Union.

II. Going concern assumption and comparability of accounts

These financial statements have been prepared on the assumption that the Company would continue as a going concern for the 12 months after the most recent balance-sheet date, i.e. December 31st 2012. As at the date of signing these financial statements, the Company's Management Board was aware of no facts or circumstances that would involve a threat to the Company's continuing as a going concern in the 12 months after the balance-sheet date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

By the date of these financial statements for 2012, no events occurred which have not but should have been disclosed in the accounting books for the reporting period. These financial statements do not report any material events related to prior years.

III. Description of adopted accounting policies, including methods of measurement of assets, equity and liabilities, revenue and expenses

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

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

Presentation of financial statements

Presentation of the statement of financial position

In accordance with IAS 1 "Presentation of financial statements", assets and liabilities are presented in the balance sheet as current and non-current.

In accordance with IFRS 5, non-current assets held for sale are presented separately in the balance sheet.

Presentation of the statement of comprehensive income

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

Earnings per share

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

Intangible assets

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

Intangible assets include mainly software and development expense, and are initially recognised at cost, which includes purchase price, import duties and non-deductible taxes included in the price, decreased by discounts and rebates and increased by all expenditure directly connected with the preparation of the asset for its intended use.

In order to determine whether a self-created intangible asset meets the recognition criteria for an asset, the entity distinguishes two phases in the asset origination process:

- the research phase,
- the development phase.

All costs originating in the first phase are charged directly to expenses of the period.

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

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

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

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

Item	Patents and licences	Computer software
Useful life	5–10 years	5–15 years
Method used	Amortised throughout the agreement term using the straight-line method	Amortised using the straight-line method
Origin	Acquired	Acquired
Review for impairment / recoverable value testing	Annual assessment whether there are any indications of impairment	Annual assessment whether there are any indications of impairment

Property, plant and equipment

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

Depreciation is charged using the straight-line method by estimating the useful life of a given asset, which is:

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

Non-current assets held under finance lease agreements have been disclosed in the balance sheet equally with other non-current assets and are depreciated in the same way.

The initial values of non-current assets held under finance lease agreements and of the obligations corresponding with such assets have been determined at amounts equal to the discounted value of future lease payments. Lease payments made in the reporting period have been charged against finance lease liabilities in an amount equal to the principal instalment and the excess (the finance charge) has been charged in full to finance expense of the period.

Any gains and losses arising on a sale or liquidation are determined as the difference between the income from the sale and the net value of the tangible assets, and are recognised in profit or loss.

The Company has adopted the rule that the residual value of tangible assets is always equal to "zero".

Tangible assets under construction

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

Investment property

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

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

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

Financial assets and liabilities

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

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

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

Recognition and measurement of financial assets

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

Receivables

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

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

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

Cash and cash equivalents

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

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

Recognition and measurement of financial liabilities

Liabilities under bank borrowings

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

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

Hedge accounting

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

There are three types of hedging relationships:

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

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

a) The hedging relationship is formally designated and documented, including the entity's risk management objective and strategy for entity the hedge, at the time when the hedge is undertaken. The relevant documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

b) The hedge is expected to be highly effective in offsetting changes in the fair value or cash flows attributable to the hedged risk, based on the originally documented risk management strategy pertaining to a given hedging relationship.
c) In the case of a cash flow hedge, the contemplated transaction to which the hedge relates is highly probable and exposed to variability in cash flows, which may ultimately affect the statement of comprehensive income.
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item attributable to the hedged risk, as well as the fair value of the hedging instrument, can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Inventories

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

Impairment losses on inventories and stock-taking discrepancies are charged to cost of products sold.

Deferred income tax

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

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

- the temporary differences will reverse in the foreseeable future, and
- taxable profit will be available against which the temporary differences can be utilised.

In line with IAS 12, deferred tax assets and liabilities are not discounted. Deferred income tax is determined based on the tax rates that have been enacted or substantively enacted as at the balance-sheet date.

Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Company anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets, but only when it is practically certain to occur.

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

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

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

The Group recognises the following provisions:

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

Assumptions underlying the estimates and the provision amounts are reviewed as at each balance-sheet date.

Accruals and deferred income

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

Accrued expenses

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

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

Deferred and accrued income

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

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

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

Functional currency and presentation currency

a) Functional currency and presentation currency

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

b) Transactions and balances

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

IV. Material judgements and estimates

In view of the fact that many items presented in the financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the separate financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2012 may change in the future.

Depreciation/amortisation charges

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

Depreciation/amortisation charges for assets used under finance lease agreements

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

Deferred tax assets

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

Provision for accrued holidays

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

Provision for old-age and disability retirement benefits

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

Provision for warranty repairs

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

Long-term contracts

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

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

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

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

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

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

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

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

Subjective judgement

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

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

Subjective judgements as at December 31st 2012 were made with respect to contingent liabilities and provisions for claims.

V. Changes in accounting policies

The accounting policies applied to prepare the annual financial statements are consistent with the policies applied in the preparation of the financial statements for the year ended December 31st 2012, save for the effect of application of the following amendments to standards and new standards and interpretations effective for annual periods beginning on or after January 1st 2013.

The Group did not choose to apply early any new standards and interpretations which have already been issued and endorsed by the European Union but will be effective after the balance-sheet date.

Standard	Nature of impending change in accounting policy	Possible impact on financial statements
Amendments to IAS 19 "Employee Benefits" (July 16th 2011)	The amendments eliminate the corridor approach, hence any financial deficit or surplus of a plan is recognised in full amount. Also, different presentation of gains and losses related to a defined benefit plan is no longer possible. Employment costs and finance costs are recognised in profit or loss, and the effect of revaluation is disclosed in other comprehensive income, owing to which the effect of revaluation is presented separately from changes resulting from day-to-day operations. Disclosure requirements concerning defined benefit plans have been expanded in order to better reflect the nature of the plans and related risk.	The Management Board does not expect the amendments to have any material impact on the accounting policies applied by the Company.

Effective date: January 1st 2015.

VI. New standards to be applied by the Company

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

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IFRS 9 "Financial Instruments" (November 12th 2009)	The new standard replaces the guidance contained in IAS 39 Financial Instruments: Recognition and Measurement, regarding classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. Financial assets will be classified into one of two categories on initial recognition: - financial assets measured at amortised cost; or - financial assets measured at fair value. A financial asset that meets the following two conditions can be measured at amortised cost: the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except for an investment in an equity instrument which is not held for trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). Such election is irrevocable. The election is available on an individual instrument-by-instrument basis. No amount recognised in OCI may be ever reclassified to profit or loss at a later date.	January 1st 2015

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IFRS 10 "Consolidated Financial Statements" (May 12th 2011)	IFRS 10 "Consolidated Financial Statements" will replace IAS 27 "Consolidated and Separate Financial Statements" and supersede interpretation SIC 12 "Consolidation – Special Purpose Entities". Under IFRS 10, an entity may be consolidated only if it is controlled, irrespective of the nature of the investee, which eliminates the risk and rewards method presented in SIC 12. According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements: - power over the investee, - exposure, or rights, to variable returns from involvement with the investee, - the ability to use its power over the investee to affect the amount of the investor's returns. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. Such assessment is revised if there are any reasons to conclude that at least one of the above control conditions has changed. IFRS 10 stipulates detailed guidelines on determining control in various situations, including with respect to agency relations and potential voting rights. If facts or circumstances change, an investor must re-assess its ability to control an investee. IFRS 10 replaces the IAS 27 provisions concerning time and manner of preparation of consolidated financial statements by an investor and disapplies interpretation SIC 12 in full.	January 1st 2014
IFRS 11 Joint Arrangements (May 12th 2011)	The standard replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 11 classifies joint arrangements as a joint operation (combination of the existing concepts of jointly controlled assets and jointly controlled operations) or as a joint venture (corresponding to the existing concept of jointly controlled entities).- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires that a joint venturer account for its interest in a joint venture using the equity method, thus disapplying the proportional consolidation method. A party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. Existence of a separate legal entity is no longer the basic condition of classification.	January 1st 2014
IFRS 12 "Disclosure of Interests in Other Entities"	An entity should disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements. IFRS 12 determines the disclosure objectives and the minimum scope of disclosure required to satisfy those objectives. An entity should disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements. Disclosure requirements are extensive.	January 1st 2014
IFRS 13 "Fair Value Measurement" (May 12th 2011)	The standard provides guidelines on fair value measurement for the purposes of all other standards. The standard applies to both financial and non-financial items. Rather than introducing any new or revised requirements with respect to items to be recognised or measured at fair value, IFRS 13: - defines fair value, - sets out in a single IFRS a framework for measuring fair value, - requires disclosures about fair value measurements. Application of the new standard may necessitate change of the valuation method for individual items and disclosure of additional information relating to the valuation.	January 1st 2013
IAS 27 "Separate Financial Statements" (May 12th 2011)	The requirements concerning accounting and disclosure of information on investments in subsidiaries, associates and joint venture are unchanged with respect to separate financial statements and are incorporated in the modified IAS 27. Other requirements contained in IAS 27 have been replaced with the requirements laid down in IFRS 10.	January 1st 2014

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
IAS 28 "Investments in Associates and Joint Ventures" (May 12th 2012)	The standard has been modified so as to ensure consistency with IFRS 10 and IFRS 11. The rules for accounting for investments in associates using the equity method have not been changed. In line with IFRS 11, the guidelines for equity method accounting apply also to joint ventures (the proportional consolidation method has been disapplied).	January 1st 2014
Deferred Tax: Recovery of Underlying Assets (amendment to IAS 12)	The 2010 amendment introduces an exception to the current measurement principles based on the manner of recovery, contained in paragraph 52 of IAS 12.This exception concerns deferred tax on investment property measured using the fair-value model pursuant to IAS 40 through a presumption that the carrying value of these assets will be recovered only through disposal. Plans of the Management Board will be immaterial, unless the investment property is subject to depreciation and is held as part of a business model, the aim of which is to consume almost all of the economic benefits associated with a given asset during its useful life. This is the only instance in which the presumption can be rebutted.	January 1st 2012
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	The amendment adds an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. This exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.	July 1st 2011
Offsetting Financial Assets and Financial Liabilities (amendment to IAS 32 of December 16th 2011)	The amendment clarifies the rules for offsetting financial assets and liabilities. IAS 32 prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.	January 1st 2014
Disclosures - Offsetting Financial Assets and Financial Liabilities (amendment to IFRS 7 of December 16th 2011)	Under this amendment to IFRS 7, entities are required to disclose information on all the recognised financial instruments which are presented on a net basis in accordance with paragraph 42 of IAS 23.	January 1st 2013
Government loans (amendment to IFRS 1 of March 13th 2012)	This project seeks to amend the requirements for first-time adoption to mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans. The amendments to IAS 20 were made in 2008, requiring an entity to measure government loans with a below-market rate of interest in the same manner as government grants, i.e. at fair value on initial recognition. The proposed amendment would require that first-time adopters apply this requirement in IAS 20 prospectively to loans entered into on or after the date of transition to IFRSs. However, if an entity obtained the information necessary to apply the requirements to a government loan as a result of a past transaction, then it may choose to apply IAS 20 retrospectively to that loan.	January 1st 2013
Improvements to IFRS (2009-2011 cycle) (May 17th 2012)	Amendments were introduced to the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1, - Exemption for borrowing costs - with respect to assets subject to improvement which were placed in service before the adoption of IFRS.MSR 1 Presentation of financial statements - Clarification of requirements concerning comparative information IAS 16 Property, Plant and Equipment - Classification of servicing equipment IAS 32 Financial Instruments: Presentation - Clarification that the tax effect of distribution to holders of equity instruments should be accounted for under IAS 12 Income Taxes. IAS 34 Interim Financial Reporting - Clarification of interim reporting on total assets for reportable segments with a view to improving consistency with IFRS 8 Operating Segments	January 1st 2013

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) of June 28th 2012	The purpose of this guidance is to clarify the requirements applicable in the period of transition to IFRS 10, IFRS 11 and IFRS 12. In the case of entities that provide comparatives for only one period, the amendments: · simplify the process of adopting IFRS 10 by introducing a requirement to check whether consolidation of an entity is required only at the beginning of the year in which IFRS 10 is applied for the first time; · remove the disclosure requirement in respect of the impact of a change in accounting policy for the year in which the standards are adopted; the disclosure of such impact is still required for the immediately preceding year; · require disclosures in respect of unconsolidated structured entities to be made only prospectively. In the case of entities that voluntarily provide additional comparative information, the restatement of comparatives is limited only to the period immediately preceding the year of first-time adoption of the standards.	January 1st 2013
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) of October 31st 2012	An investment entity is an entity whose business purpose is to make investments for capital appreciation, investment income (in the form of dividend or interest), or both. The amendment clarifies that an investment entity should evaluate the performance of the investments it controls on a fair value basis through profit or loss, without consolidating them.	January 1st 2014
KIMSF 20: Stripping Costs in the Production Phase of a Surface Mine	The interpretation requires the costs of stripping activity to be accounted for in accordance with the principles of IAS 2 Inventories to the extent that the benefit from the stripping activity is realised in the form of inventory produced. The costs of stripping activity which provides a benefit in the form of improved access to ore is recognised as a non-current stripping activity asset where the following criteria are met: - it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity, - the entity can identify the component of the ore body for which access has been improved, - the costs relating to the stripping activity associated with that component can be measured reliably. When the costs of the stripping activity asset and the inventory produced are not separately identifiable, production stripping costs are allocated between the inventory produced and the non-current stripping activity asset by using an allocation basis that is based on a relevant production measure. A stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. A stripping activity asset is initially measured at cost and subsequently carried at cost or its revalued amount less depreciation or amortisation and impairment losses. A stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method is used unless another method is more appropriate.	January 1st 2013

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

Date: April 26th 2013

Prepared by: Piotr Walasek	Paweł Wyrzykowski *President of the Management Board*	Wojciech Modrzyk *Vice-President of the Management Board*	Jarosław Talerzak *Vice-President of the Management Board*

SECO/WARWICK S.A.

NOTES TO THE

SEPARATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2012

Note 1. REVENUE

As provided for under IAS 18, revenue from sales of products, 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.

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

Item	2012	2011
Sales of products	155,459	126,374
Sales of merchandise and materials	533	444
TOTAL revenue from sales	**155,992**	**126,818**
Other income	1,986	1,938
Finance income	2,585	1,015
TOTAL revenue and income	**160,563**	**129,771**

The Company did not generate any revenue from discontinued operations.

Note 2. OPERATING SEGMENTS

For detailed information on operating segments, see the consolidated financial statements of the SECO/WARWICK Group (Note No. 2 to the consolidated financial statements for the 12 months ended 31 December 2012).

Note 3. OPERATING EXPENSES

COSTS BY NATURE OF EXPENSE	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Depreciation and amortisation	3,199	2,689
Raw materials and consumables used	75,221	60,905
Services	25,634	17,706
Taxes and charges	456	430
Salaries and wages	27,895	23,688
Social security and other benefits	5,347	4,435
Other costs	8,742	7,901
Total costs by nature of expense, including:	**146,494**	**117,754**
Distribution costs	- 4,702	-4,770
Administrative expenses	-25,432	-20,960
Change in products	1,430	175
Work performed by entity and capitalised	-1,691	-470
Cost of products sold and services rendered	**116,099**	**91,729**

DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES RECOGNISED IN PROFIT OR LOSS	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Items recognised in cost of sales:	**1,049**	**992**
Depreciation of property, plant and equipment	930	882
Impairment of property, plant and equipment		
Amortisation of intangible assets	119	110
Items recognised in distribution costs	**403**	**345**
Depreciation of property, plant and equipment	324	143
Amortisation of intangible assets	79	202
Cost of operating leases		
Items recognised in administrative expenses:	**1,734**	**1,339**
Depreciation of property, plant and equipment	921	1,145
Amortisation of intangible assets	813	194
Cost of operating leases		
Items recognised in operating expenses:	**13**	**13**
Depreciation of investment property	13	13

EMPLOYEE BENEFIT EXPENSE

PERSONNEL COSTS	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Salaries and wages	27,895	23,688
Social security	4,148	3,412
Retirement benefits		
Other post-employment benefits		
Share-based payment scheme		
Other employee benefit expense	1,199	1,023
Total employee benefit expense, including:	**33,242**	**28,123**
Items recognised in cost of sales	17,894	13,979
Items recognised in distribution costs	1,924	2,123
Items recognised in administrative expenses:	13,424	12,021

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Reversal of impairment losses on receivables		255
Gain on disposal of non-current non-financial assets		37
Penalties and compensation/damages received	78	40
Income from lease of tangible assets and investment property	893	904
Income from re-invoicing	38	
VAT		417
Other	977	285
Total other income	**1,986**	**1,938**

OTHER EXPENSES	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Loss on disposal of non-current non-financial assets	18	
Impairment losses on receivables	171	1,209
Court expenses, compensation/damages, penalties	615	3
Services purchase cost for re-invoicing		14
Revaluation of inventories	722	
Cost of lease of tangible assets	369	424
Revaluation of tangible asset	224	17
Donations	66	45
Other	155	96
Total other expenses	**2,341**	**1,808**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Interest income	213	291
Revaluation of investments	4,413	
Net foreign exchange gains		724
Impairment losses on loans granted	-821	
Impairment losses on equity interests	-1,220	
Total finance income	**2,585**	**1,015**

FINANCE COSTS	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Interest paid	311	774
Loss on derivative instruments at maturity	258	126
Revaluation of investments		3,438
Impairment loss on investment in SECO/WARWICK Tianjin		496
Net foreign exchange losses	3,349	
Other	109	
Total finance costs	**4,027**	**4,834**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2012 and December 31st 2011 were as follows:

INCOME TAX DISCLOSED IN THE INCOME STATEMENT	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Current income tax	**724**	**2,168**
Current income tax expense	724	2,168
Adjustments to current income tax for previous years		
Deferred income tax	**1,043**	**-988**
Related to temporary differences and their reversal	1,043	-988
Related to reduction of income tax rates		
Income tax benefit arising from transactions involving items of equity		
Tax expense disclosed in the income statement	**1,767**	**1,180**

INCOME TAX RECOGNISED IN EQUITY	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Current income tax	**0**	**0**
Current income tax expense	0	0
Deferred income tax	**0**	**0**
Tax on net gain/loss on revaluation of cash flow hedges	0	0
Tax benefit / (tax expense) recognised in equity	**0**	**0**

CURRENT INCOME TAX	2012	2011
Pre-tax profit	**7,456**	**5,349**
Non-taxable income and previous years' income increasing tax base	-19,253	-1,961
Non-tax-deductible costs and previous years' costs decreasing tax base	15,647	8,065
Taxable income	**3,850**	**11,453**
Deductions from income – donation, loss	-40	-41
Tax base	**3,810**	**11,412**
Income tax at 19%	724	2,168
Effective income tax rate(share of income tax in pre-tax profit)	**10%**	**41%**

The current portion of the income tax was calculated as 19% of the income tax base.

No tax related to foreign tax jurisdictions applies.

Item	Dec 31 2012		Dec 31 2011	
	carrying amount	*amount recognised in profit*	*carrying amount*	*amount recognised in profit*
Deferred tax liabilities				
Accelerated tax depreciation/amortisation	3,227	1,359	1,868	215
Lease (net)	64	53	12	-5
Foreign exchange gains	48	-478	526	398
Adjustments to long-term contracts	2,980	977	2,002	-358
Forward transactions	195	195		
Other				-9
Deferred tax liabilities	**6,515**	**2,106**	**4,408**	**241**
Deferred tax assets				
Provision for disability severance payments and retirement bonuses	58	12	46	15
Provision for length-of-service awards and bonuses	336	60	276	4
Provision for accrued holiday entitlements	113	-10	123	31
Provision for warranty repairs	253		253	
Other provisions	103	-38	141	89
Assets arising under long-term contracts	1,743	677	1,066	299
Foreign exchange losses	139	-49	188	102
Salaries, wages and social security contributions payable in subsequent periods	94	-38	132	10
Settlement of grant	631	631		
Lease liabilities	34	33	1	-10
Other	47	47		
Impairment losses on receivables				-49
Assets held for sale	43	43		
Impairment losses on inventories	107	107		
Impairment losses on investment	505	232	273	94
Valuation of financial instruments	1	-643	644	644
Deferred tax assets	**4,207**	**1,063**	**3,144**	**1,229**

Item	Dec 31 2012		Dec 31 2011	
	carrying amount	amount recognised in equity	carrying amount	amount recognised in equity
Valuation of financial instruments – equity component	-	-	177	177
Deferred tax assets	**-**	**-**	**177**	**177**
Item	**Dec 31 2012**		**Dec 31 2011**	
	carrying amount	amount recognised in equity	carrying amount	amount recognised in equity
Valuation of financial instruments – equity component	313	313	-	-
Deferred tax liabilities	**313**	**313**	**-**	**-**

Note 7. ASSETS HELD FOR SALE

On October 8th 2010, the Board of Directors of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. executed an agreement for sale to the Chinese shareholder Tianjin Kama Electric Thermal Equipment Manufacturing Co., Ltd. of a 25% equity interest in SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. held by SECO/WARWICK Corp. for USD 300 thousand and a 25% equity interest held by SECO/WARWICK S.A. also for USD 300 thousand. Initially, it was agreed that the transaction would be finalised by December 31st 2010. However, this arrangement had not been met by the Chinese partner. Therefore, a new payment schedule was agreed upon. An annex to the original agreement was also signed, providing for a potential dissolution of SECO/WARWICK (Tianjin) Industrial Furnace Co. Ltd. if payments are not made as scheduled. The President of SECO/WARWICK (Tianjin) Industrial Furnace Co. completed the first stage of the transaction concerning change of the company's name.

As the Parent expects to encounter difficulties in collecting the cash owed, in keeping with the principle of prudence in accounting, an impairment loss was recognised on the interest in an amount of up to the cash received so far from the Chinese owner of KAMA Eletric Thermal Equipment Manufacturing Co.

The shares in SECO/WARWICK Tianjin were accounted for in the statement of financial position as assets held for sale of PLN 361 thousand.

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

Item	Dec 31 2012	Dec 31 2011
Opening balance	**3,770**	**889**
Plant and equipment	2,986	3,377
Impairment loss	224	
Financial assets	361	888
Impairment loss	32	495
Assets held for sale	**3,347**	**3,770**

As at December 31st 2012, the value of machinery and equipment carried by the Company as property, plant and equipment held for sale was PLN 2,986 thousand. As the Management Board expects the assets to be sold in the financial year 2013, they were recognised as assets held for sale to ensure compliance with IFRS 5.

Note 8. DIVIDENDS PROPOSED OR APPROVED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

On May 28th 2012, the Annual General Meeting of SECO/WARWICK S.A. adopted Resolution No. 20 concerning distribution of profit for the period from January 1st to December 31st 2011. The entire net profit earned by SECO/WARWICK S.A. of Świebodzin in the financial year 2011, that is PLN 4,169,370.80 (four million, one hundred and sixty-nine thousand, three hundred and seventy złoty, 80/100), was transferred to statutory reserve funds.

Note 9. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment (by type) in the period January 1st–December 31st 2011

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2011	**840**	**12,394**	**14,968**	**3,078**	**1,385**	**32,665**
Increase, including:	**-**	**39**	**2,807**	**771**	**121**	**3,738**
assets acquired	-	39	444	771	121	**1,375**
assets generated internally	-	-	2,363	-	-	**2,363**
lease agreements concluded	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**4,332**	**61**	**49**	**4,442**
disposal	-	-	46	61	17	**124**
liquidation	-	-	909	-	32	**941**
revaluation	-	-	-	-	-	**-**
reclassification (assets held for sale)	-	-	3,377	-	-	**3,377**
Gross carrying amount as at Dec 31 2011	**840**	**12,433**	**13,443**	**3,788**	**1,457**	**31,961**
Cumulative depreciation as at Jan 1 2011	**-**	**2,496**	**5,422**	**1,583**	**760**	**10,261**
Increase, including:	**-**	**596**	**962**	**494**	**119**	**2,171**
depreciation	-	596	962	494	119	**2,171**
revaluation	-	-	-	-	-	**-**
other	-	-	-	-	-	**-**
Decrease, including:	**-**	**-**	**456**	**61**	**38**	**555**
revenue	-	-	33	61	8	**102**
liquidation	-	-	423	-	30	**453**
revaluation	-	-	-	-	-	**-**
Cumulative depreciation as at Dec 31 2011	**-**	**3,092**	**5,928**	**2,016**	**841**	**11,877**
Impairment losses as at Jan 1	**-**	**-**	**487**	**-**	**-**	**487**

2011						
Increase, including:	-	-	-	-	-	-
Decrease, including:	-	-	**487**	-	-	**487**
liquidation			487			**487**
Impairment losses as at Dec 31 2011	-	-	-	-	-	-
Net carrying amount as at Dec 31 2011	**840**	**9,341**	**7,515**	**1,772**	**616**	**20,083**

Changes in property, plant and equipment (by type) in the period Jan 1–Dec 31 2012

Item	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross carrying amount as at Jan 1 2012	**840**	**12,433**	**13 443**	**3,788**	**1,457**	**31,961**
Increase, including:	**-**	**636**	**768**	**1,205**	**85**	**2,694**
assets acquired	-	636	768	842	85	**2,331**
assets generated internally	-	-	-	-	-	-
lease agreements concluded	-	-	-	363	-	**363**
other	-	-	-	-	-	-
Decrease, including:	**-**	**668**	**1,181**	**833**	**63**	**2,745**
disposal	-	6	565	816	16	**1,403**
liquidation	-	662	616	17	48	**1,343**
revaluation	-	-	-	-	-	-
reclassification (assets held for sale)	-	-	-	-	-	-
Gross carrying amount as at Dec 31 2012	**840**	**12,401**	**13,030**	**4,160**	**1,479**	**31,910**
Cumulative depreciation as at Jan 1 2012	**-**	**3,092**	**5,928**	**2,016**	**841**	**11,877**
Increase, including:	**-**	**616**	**984**	**452**	**122**	**2,174**
depreciation	-	616	984	452	122	**2,174**
revaluation	-	-	-	-	-	-
other	-	-	-	-	-	-
Decrease, including:	-	**483**	**779**	**438**	**45**	**1,745**
sale	-	5	334	421	5	**765**
liquidation	-	478	445	17	40	**980**
revaluation	-	-	-	-	-	-
Cumulative depreciation as at Dec 31 2012	**-**	**3,226**	**6,133**	**2,029**	**917**	**12,306**
Impairment losses as at Jan 1	-	-	-	-	-	-

2012						
Increase, including:	-	-	-	-	-	-
Decrease, including:	-	-	-	-	-	-
liquidation	-	-	-	-	-	-
Impairment losses as at Dec 31 2012	-	-	-	-	-	-
Net carrying amount as at Dec 31 2012	**840**	**9,174**	**6,896**	**2,132**	**561**	**19,603**

OWNERSHIP STRUCTURE –net value	Dec 31 2012	Dec 31 2011
Owned	19,240	20,016
Used under lease, tenancy or similar contract	363	67
Total	**19,603**	**20,083**

As at December 31st 2012, the Company analysed information from external and internal sources for any indication of necessity to test assets for impairment. As no such indications were found, assets were not tested for impairment.

Gross value of items of property, plant and equipment which had a net value of zero but were still used as at December 31st 2012, was PLN 1,808 thousand (December 31st 2011: PLN 1,879 thousand).

Tangible assets under construction:

Tangible assets under construction as at Jan 1 2011	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2011*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
2,970	**7,721**	39	2,807	771	121	5,869	**1,084**
Tangible assets under construction as at Jan 1 2012	*Expenditure incurred in the financial year*	*Accounting for the expenditure*					*Dec 31 2012*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other*	*Intangible assets*	
1,084	**3,490**	636	2,376	1,205	85	267	**4**

Tangible assets under construction	Dec 31 2012	Dec 31 2011
Modular line	-	-
Test furnace	-	-
VPT furnace	-	640
Other	4	444
Total	**4**	**1,084**

Value and area of land held in perpetual usufruct as at Dec 31 2011

Address	Number of Land and Mortgage Register Entry	Lot No.	Surface area [^{sq}m] as at Dec 31 2011	Value as at Dec 31 2011
ul. Sobieskiego 8, Świebodzin, Poland	KW 1306	95/7	5,098	289
ul. Sobieskiego 8, Świebodzin, Poland	KW 9562	94/4	2,467	140
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/16	285	97
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/23	119	6 originally lot No. 94/17 KW 9444
	KW 9444	94/22	1,415	
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/21	2,645	150
ul. Sobieskiego 8, Świebodzin, Poland	KW 19319	94/19	214	12
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/8	110	6
ul. Sobieskiego 8, Świebodzin, Poland	KW 39300	94/25	1,279	73
ul. Świerczewskiego 76, Świebodzin, Poland	KW 40641	195/80	11,605	23
ul. Świerczewskiego 76, Świebodzin, Poland	KW 41410	195/94	221	1
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
		Total	**26,579**	**808**

On December 21st 2010, SECO/WARWICK S.A. signed a USD 2,500 thousand investment loan agreement with BRE Bank Spółka Akcyjna. The facility was granted to finance 20% of the purchase cost of five shares in Retech Systems LLC.

The borrowing is secured with a blanket ordinary mortgage of USD 2,500 thousand and a blanket ceiling mortgage of up to USD 250 thousand created over a property owned by the State Treasury and comprising the following lots:

- Nos. 94/21, 94/8, 94/23, 94/6, with total area of 0.3995ha, situated at ul. Sobieskiego 8, Świebodzin
- Nos. 94/16, 94/22, with total area of 0.1700ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/19, with area of 0.0214ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/4, with area of 0.2467ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/7, with area of 0.5098ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 94/25, with area of 0.1279ha, situated at ul. Sobieskiego 8, Świebodzin
- No. 195/80, with area of 1.1605ha, situated at ul. Świerczewskiego 76, Świebodzin
- No. 195/94, with area of 0.0221ha, situated at ul. Świerczewskiego 76, Świebodzin
- as well as buildings and structures situated on the above lots, owned by the borrower, and on undeveloped lot No. 94/14, owned by the borrower, with an area of 0.1030ha, situated at ul. Sobieskiego 8, Świebodzin.

In 2012, the lots originally marked with numbers 94/8, 94/21 and 94/23 were combined to become lot No 951. Then lot No. 951 with an area of 0.2874 ha was divided into two lots: No. 951/1 with an area of 0.0712 ha and No. 951/2 with an area of 0.2162 ha.

Value and area of land held in perpetual usufruct as at Dec 31 2012

Address	Number of Land and Mortgage Register Entry	Lot No.	Surface area [sq m] as at Dec 31 2012	Value as at Dec 31 2012
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/1	712	40
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	951/2	2,162	123
ul. Sobieskiego 8, Świebodzin, Poland	KW 1306	95/7	5,098	289
ul. Sobieskiego 8, Świebodzin, Poland	KW 9562	94/4	2,467	140
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/16	285	16
ul. Sobieskiego 8, Świebodzin, Poland	KW 9444	94/22	1,415	80
ul. Sobieskiego 8, Świebodzin, Poland	KW 19319	94/19	214	12
ul. Sobieskiego 8, Świebodzin, Poland	KW 39300	94/25	1,279	73
ul. Świerczewskiego 76, Świebodzin, Poland	KW 40641	195/80	11,605	23
ul. Świerczewskiego 76, Świebodzin, Poland	KW 41410	195/94	221	1
ul. Sobieskiego 8, Świebodzin, Poland	KW 9507	94/6	1,121	10
		Total	**26,579**	**808**

Note 10. INTANGIBLE ASSETS

OWNERSHIP STRUCTURE – net value	Dec 31 2012	Dec 31 2011
Owned	12,409	12,891
Used under lease, tenancy or similar contract	-	-
Total	**12,409**	**12,891**

As at December 31st 2012 and December 31st 2011, the Company carried no intangible assets held for sale.

As at December 31st 2012, gross carrying amount of fully amortised intangible assets that were still used and controlled by the Company was PLN 171 thousand (as at December 31st 2011: PLN 89 thousand).

Changes in intangible assets (by type) in the period January 1st–December 31st 2011

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2011	**8,691**	**2,385**	**3,453**	**14,529**
Increase, including:	**595**	**269**	**-**	**864**
business combinations	-	-	-	**-**
acquisitions	595	269	-	**864**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**-**	**-**	**-**
disposal of subsidiary	-	-	-	**-**
disposal	-	-	-	**-**
liquidation	-	-	-	**-**
other	-	-	-	**-**
Gross carrying amount as at Dec 31 2011	**9,286**	**2,654**	**3,453**	**15,393**
Cumulative amortisation as at Jan 1 2011	**268**	**1,046**	**682**	**1,996**
Increase, including:	**87**	**245**	**175**	**507**
amortisation	87	245	175	**507**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**-**	**-**	**-**
liquidation	-	-	-	**-**
sale	-	-	-	**-**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Cumulative amortisation as at Dec 31 2011	**355**	**1,291**	**857**	**2,503**
Impairment losses as at Jan 1 2011	**-**	**-**	**-**	**-**
Increase, including:	-	-	-	**-**
Decrease, including:	-	-	-	**-**
Impairment losses as at Dec 31 2011	**-**	**-**	**-**	**-**
Net carrying amount as at Dec 31 2011	**8,931**	**1,363**	**2,596**	**12,891**

Changes in intangible assets (by type) in the period January 1st–December 31st 2012

Item	*Development expense*	*Patents and licences, software*	*Other intangible assets*	*Total*
Gross carrying amount as at Jan 1 2012	**9,286**	**2,654**	**3,453**	**15,393**
Increase, including:	**384**	**149**	**-**	**533**
under development	378	-	-	**378**
acquisitions	6	149	-	**155**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**13**	**-**	**13**
disposal of subsidiary	-	-	-	**-**
disposal	-	13	-	**13**
liquidation	-	-	-	**-**
other	-	-	-	**-**
Gross carrying amount as at Dec 31 2012	**9,671**	**2,790**	**3,453**	**15,914**
Cumulative amortisation as at Jan 1 2012	**355**	**1,291**	**857**	**2,503**
Increase, including:	**573**	**272**	**166**	**1,011**
amortisation	573	272	166	**1,011**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Decrease, including:	**-**	**8**	**-**	**8**
liquidation	-	-	-	**-**
sale	-	8	-	**8**
revaluation	-	-	-	**-**
other	-	-	-	**-**
Cumulative amortisation as at Dec 31 2012	**928**	**1,555**	**1,023**	**3,506**
Impairment losses as at Jan 1 2012	**-**	**-**	**-**	**-**
Increase, including:	-	-	-	**-**
Decrease, including:	-	-	-	**-**
Impairment losses as at Dec 31 2012	**-**	**-**	**-**	**-**
Net carrying amount as at Dec 31 2012	**8,742**	**1,235**	**2,431**	**12,409**

Intangible assets are not pledged as security for liabilities.

Note 11. INVESTMENT PROPERTY

SECO/WARWICK S.A. owns an investment property located at ul. Sobieskiego 8 in Świebodzin, Poland, which comprises a production hall currently leased out to VACMAX. In 2012 and 2011, the property generated lease income of PLN 54 thousand.

Item	Dec 31 2012	Dec 31 2011
Opening balance	**422**	**435**
Increase (subsequent expenditure), including:	**-**	**-**
modernisation	-	-
Decrease, including:	**13**	**13**
Depreciation	13	13
Sale	-	-
Closing balance	**409**	**422**

Item	Dec 31 2012	Dec 31 2011
Gross carrying amount – opening balance	**527**	**527**
Increase, including:	**-**	**-**
Acquisitions	**-**	**-**
Decrease, including:	**-**	**-**
Disposals	**-**	**-**
Carrying amount – closing balance	**527**	**527**

Cumulative depreciation – opening balance	**105**	**92**
Increase, including:	**13**	**13**
Depreciation	**13**	**13**
Decrease, including:	**-**	**-**
Sale	**-**	**-**
Cumulative depreciation – closing balance	**118**	**105**
Impairment losses – opening balance	**-**	**-**
Increase	**-**	**-**
Decrease	**-**	**-**
Impairment losses – closing balance	**-**	**-**
Net carrying amount – closing balance	**409**	**422**

Item	Dec 31 2012	Dec 31 2011
Lease income	**54**	**54**

Cost of generating lease income	**23**	**23**
Real property tax	10	10
Depreciation	13	13

Note 12. INVESTMENTS IN SUBSIDIARY, JOINTLY-CONTROLLED AND ASSOCIATED ENTITIES

Investments in subordinated entities carried at cost

Shares in subordinated entities	Dec 31 2012	Dec 31 2011
subsidiaries	84,510	83,920
jointly controlled entities*	361	393
associates	12,921	10,995

***Discontinued operations**

Change in investments in subsidiaries

Item	2012	2011
As at beginning of the period	**83,920**	**82,249**
Increase during the period, including:		
- additional contributions to SECO/WARWICK Retech equity	796	822
- establishment of SECO/WARWICK GmbH		849
- acquisition of 49% of shares in SECO/WARWICK GmbH	338	
- establishment of OOO SCT	643	
Decrease during the period, including:		
- impairment loss on investment in SECO/WARWICK GmbH	1,187	
As at end of the period	**84,510**	**83,920**

Change in investments in jointly-controlled and associated entities

Item	2012	2011
As at beginning of the period	**11,389**	**11,884**
Increase during the period, including:		
- additional contribution to equity	1,927	
Decrease during the period, including:		
- reclassification (acquisition of control over Retech)		
- impairment loss on investment in SECO/WARWICK Tianjin	33	495
- sale of associate		
As at end of the period	**13,282**	**11,389**
Discontinued operations	361	393

Investments in subsidiary, jointly-controlled and associated entities

Company	Carrying amount of shares as at Dec 31 2012	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
SECO/WARWICK EUROPE	7,657	100%	100%	full	70,086	35,213	75,925	5,015
SECO/WARWICK Corporation	21,806	100%	100%	full	73,943	63,496	98,390	3,261
SECO/WARWICK Moscow	172	100%	100%	full	2,022	1,732	25,360	-274
RETECH Systems LLC	50,863	100%	100%	full	84,633	41,905	186,424	13,485
SECO/WARWICK ALLIED	12,921	50%	50%	equity	53,534	32,297	61,331	2,245
SECO/WARWICK Retech	3,370	100%	100%	full	12,056	6,616	16,579	190
OOO SCT Russia	643	50%	50%	full	1,317	97,021	0	-0,5
SECO/WARWICK GmbH	0	100%	100%	full	3,412	3,862	3,461	-826
SECO/WARWICK Service GmbH	0	100%	100%	full	4,423	3,601	672	30

Company	Carrying amount of shares as at Dec 31 2011	Ownership interest (%)	% of the total vote	Method of consolidation	Assets	Liabilities	Revenue	Net profit/ loss
SECO/WARWICK ThermAL	7,657	100%	100%	full method	72,487	42,933	84,261	7,305
SECO/WARWICK Corporation	21,806	100%	100%	full	43,412	35,665	54,517	330
SECO/WARWICK Moscow	172	100%	100%	full	2,966	2,391	2,286	-341
RETECH Systems LLC	50,863	100%	100%	full	65,100	32,272	122,849	4,272
SECO/WARWICK ALLIED	10,995	50%	50%	equity method	64,607	46,951	59,418	2,238
SECO/WARWICK Retech	2,573	100%	100%	full	8,875	3,995	6,350	-1,155
SECO/WARWICK GmbH	849	51%	51%	full	1,414	1,041	0	-600

Note 13. TEST FOR IMPAIRMENT OF SHARES

Tests for impairment of shares

The Company carried out tests for impairment of shares held in subsidiary entities of SECO/WARWICK Corporation and Retech Systems LLC. No impairment loss was recognised as a result of the tests. The recoverable amounts attributable to individual cash-generating units were determined based on their calculated value in use.

Cash-generating unit

In each case the value in use was calculated based on cash flow projections derived from the financial budgets covering a period of five years. The projections reflect the management's business experience and an analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the period of detailed projections:

No.	Item	
1.	Projection period	5 years
2.	Discount rate:	
	SECO/WARWICK Corp.	18.8%
	Retech Systems LLC	8.3%
3.	Growth rate after the budget period:	
	SECO/WARWICK Corp.	2.0%
	Retech Systems LLC	1.0%

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

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

• free cash flows;

• discount rates;

• market share in the projection period.

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

Discount rate reflects the management's assessment of the risk inherent in the company's operations. It is used by the management to assess the operating efficiency (performance) and future investment proposals. The discount rate was determined taking into account the risk-free interest rate determined for each period covered by the projection as the arithmetic mean of the following: median of the forecast risk-free interest rates calculated by stock-exchange analysts and estimated future risk-free interest rates.

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

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

Sensitivity to changes of assumptions

With respect to the estimation of the value in use of individual cash-generating units, the management believes that no reasonably possible change of any of the key assumptions referred to above could cause the carrying amount of a given cash-generating unit to exceed its recoverable amount. As the carrying amounts are lower than the respective value in use (recoverable amounts), no impairment losses were recognised on the shares held.

Note 14. INVENTORIES

Inventories are valued at acquisition or production cost, but no higher than at net realisable value as at the balance-sheet date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to sell.

Inventories	Dec 31 2012	Dec 31 2011
Materials (at cost)	11,173	10,620
Semi-finished products and work in progress	3,040	3,915
Finished products	-	-
Merchandise	-	-
Prepaid deliveries	-	-
Total inventories (carrying amount)	**14,213**	**14,535**
Impairment losses on inventories	567	-
Inventories, gross	**14,780**	**14,535**

CHANGES IN IMPAIRMENT LOSSES ON INVENTORIES

Item	Dec 31 2012	Dec 31 2011
Impairment losses as at beginning of the period	**0**	**-**
Increase, including:	**901**	**-**
-impairment losses recognised	901	-
Decrease, including:	**334**	**-**
-impairment losses reversed	334	-
- impairment losses used		-
Balance of impairment losses on finished products at end of the period	**567**	**-**

Note 15. LONG-TERM CONTRACTS

Item	Dec 31 2012	Dec 31 2011
Costs incurred under construction contracts, including recognised gains (net of recognised losses)	54,904	33,547
Prepayments received	-54,806	-12,911
Excess of received prepayments over revenue recognised using the percentage of completion method	13,349	2,312
Total assets under construction contracts in progress	**13,447**	**22,948**

Note 16. TRADE AND OTHER RECEIVABLES

Item	Dec 31 2012	Dec 31 2011
a) from related entities	**9,967**	**8,657**
- trade receivables, maturing in:	9,967	8,657
- up to 12 months	9,967	8,657
- over 12 months		
- other		
b) from other entities	**30,908**	**39,176**
- trade receivables, maturing in:	23,463	34,126
- up to 12 months	23,463	34,126
- over 12 months		
- taxes, grants, customs duties, social security and other benefits receivable	634	1,311
- other	6,811	3,740
- receivables under court proceedings		
Total trade and other receivables, net	**40,875**	**47,833**
c) impairment losses on receivables	1,258	1,293
Total trade and other receivables, gross	**42,133**	**49,126**

The Company operates a policy of selling its products and services only to customers whose credibility has been verified. Management believes that thanks to this policy there is no additional credit risk beyond the level determined by the impairment losses recognised with respect to the Company's uncollectible trade receivables.

As at December 31st 2012, trade receivables of PLN 1,258 thousand (2011: PLN 1,293 thousand) were classified as unrecoverable and, accordingly, a relevant impairment loss was recognised.

The changes in impairment losses on receivables were as follows:

CHANGE IN IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES	Dec 31 2011	Dec 31 2010
Change in impairment losses on receivables from related entities	-	-
Impairment losses as at beginning of the period	**2**	**2**
a) increase, including:	**-**	**-**
- trade receivables	-	-
- impairment losses of acquired entities	-	-
- receivables under court proceedings	-	-
- other	-	-
b) decrease, including:	**2**	**-**
- reversal of impairment losses on trade receivables	-	-
- reversal of impairment losses on receivables under court proceedings	-	-
- reversal of impairment losses on other receivables	-	-
- use	2	-
- exchange differences	-	-
Impairment losses on trade receivables from related entities as at end of the period	**0**	**2**
Change in impairment losses on receivables from other entities	-	-
Impairment losses as at beginning of the period	**1,292**	**886**
a) increase, including:	**171**	**1,045**
- trade receivables	171	1,045
- receivables under court proceedings	-	-
- other	-	-
b) decrease, including:	**205**	**639**
- reversal of impairment losses on trade receivables	2	255
- reversal of impairment losses on receivables under court proceedings	-	-
- reversal of impairment losses on other receivables	-	255
- use	203	129
Impairment losses on trade receivables from other entities as at end of the period	**1,258**	**1,292**
Impairment losses on trade receivables as at end of the period	**1,258**	**1,293**

Maturity structure of trade receivables (gross) as from the balance-sheet date:

Item	Dec 31 2012	Dec 31 2011
up to 1 month	4,390	3,824
more than 1 month, up to 6 months	22,095	37,957
more than 6 months, up to 1 year	3,074	190
more than 1 year	1,201	-
past due	2,670	812
Total trade receivables (gross)	33,430	44,076
Impairment losses on trade receivables	1,258	1,293
Total trade receivables (net)	**34,688**	**42,783**

Trade and other receivables (gross) by currency:

Item	Dec 31 2012		Dec 31 2011	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		14,888	-	9,269
EUR	4,285	17,516	7,498	33,117
USD	3,137	9,723	1,875	6,408
GBP	1	6	63	332
Other			-	
Total		**42,133**		**49,126**

Trade receivables under court proceedings:

Item	Dec 31 2012	Dec 31 2011
Trade receivables under court proceedings	-	-
Impairment losses on disputed receivables	-	-
Net trade receivables under court proceedings	**-**	**-**

Contingent receivables

Guarantees received as at December 31st 2011:

Company	Surety in respect of	Currency	Dec 31 2011	*AMOUNT (PLN)*
Nyborg-Mawent SA	PBG	PLN	72	72
Winkel / Volvo	APG	EUR	24	104
STS	Payment Guarantee	EUR	105	463
Total				**639**

As at December 31st 2012, SECO/WARWICK S.A. disclosed no guarantees received.

Note 17. OTHER FINANCIAL ASSETS AND LIABILITIES

Loans advanced (including loans advanced to members of the Management Board) – as at December 31st 2012

No loans were advanced to members of the Management Board or the Supervisory Board in 2012.

LOANS ADVANCED

	Dec 31 2012	Dec 31 2011
Increase in loans advanced	2,463	2,442
Impairment losses		
Total net loans advanced	**2,463**	**2,442**
- non-current		
- current	2,463	2,442

On February 22nd 2010, SECO/WARWICK S.A. advanced a PLN 4,000 thousand loan to its subsidiary, SECO/WARWICK ThermAL S.A. (currently: SECO/WARWICK EUROPE S.A.) The loan was partially (PLN 2,000 thousand) repaid on December 29th 2011. On April 27th 2012, the borrower repaid the entire outstanding balance of the loan.

On July 1st 2011, SECO/WARWICK S.A. advanced a EUR 100 thousand loan to its subsidiary, SECO/WARWICK GmbH. On September 30th 2012, the Company recognised an impairment loss on the loan of PLN 407 thousand.

On August 16th 2012, SECO/WARWICK S.A. advanced a RUB 1,500 thousand loan to its subsidiary, OOO SECO/WARWICK Moscow. The loan was repaid on October 1st 2012.

On December 17th 2012, SECO/WARWICK S.A. advanced a EUR 600 thousand loan to its subsidiary, SECO/WARWICK GmbH. As at December 31st 2012, the interest accrued is PLN 3 thousand.

In 2012, impairment losses on loans advanced totalled PLN 821 thousand.

In 2012, SECO/WARWICK S.A. did not advance loans to any non-related entities.

OTHER FINANCIAL ASSETS AND LIABILITIES

	Dec 31 2012		Dec 31 2011	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	2,671	5		4,321
Lease liabilities		181		5
Total financial assets and liabilities at fair value through profit or loss	**2,671**	**186**		**4,326**
- non-current				
- current	2,671	186		4,326
Total financial assets and liabilities at fair value through equity	**1,333**			**-753**
- non-current				
- current	**1,333**			-753

Disclosures concerning derivative financial instruments which meet the hedge accounting criteria

In 2012, SECO/WARWICK S.A. used currency forwards and zero-cost collars established by writing a put option and buying a call option to hedge an average of 60% of its EUR-denominated cash flows generated from export sales and up to 55% of its USD-, GBP- and CZK-denominated cash flows. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of the EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if all the criteria provided for in IAS 39:88 are met. Any negative balance-sheet valuation of derivative instruments is recognised directly in equity. If a transaction which has been hedged with a currency forward affects profit or loss, any negative valuation previously recognised in equity is reclassified to profit or loss. Fair value of currency forward contracts was determined by the bank which is party to the transaction.

The table below presents total values of hedging transactions open as at December 31st 2012.

Dec 31 2012	Notional amount of contract (EUR'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	15,694	9,646	8,086	709	276	433	From Jan 31 2013 to Sep 30 2013

Dec 31 2012	Notional amount of contract (USD'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	16,433	9,238	6,313	1,801	632	1,169	From Feb 26 2013 to Oct 31 2013

Dec 31 2012	Notional amount of contract (CZK'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	37,500	24,225	16,150	87	71	16	From Mar 29 2013 to Apr 30 2013

Dec 31 2012	Notional amount of contract (GBP'000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2012	Fair value of the instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	692	400	400	70	42	27	Jun 28 2013

Note 18. PREPAYMENTS AND ACCRUED INCOME

Item	31.12.2012	Dec 31 2011
Insurance policies	314	291
Subscriptions	1	2
VAT to be settled in the following period	371	392
Lease of software	116	67
Other	45	81
Total current prepayments and accrued income	**847**	**834**

Note 19. CASH AND CASH EQUIVALENTS

Item	Dec 31 2012	Dec 31 2011
Cash at banks and cash in hand	24,249	1,452
Short-term deposits		
Other cash equivalents		
Total cash and cash equivalents	**24,249**	**1,452**

CASH AND CASH EQUIVALENTS (BY CURRENCY):

Item	Dec 31 2012		Dec 31 2011	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN	-	17,814	-	32
EUR	896	3,661	155	685
USD	589	1,827	178	608
GBP	189	947	24	127
Total		**24,249**		**1,452**

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

Share capital

Item	*Dec 31 2012*	*Dec 31 2011*
Number of shares	10,476,210	10,476,210
Par value of shares	0.2	0.2
Share capital	2,095	2,095
Share capital restated using hyperinflation index (IAS 19)	1,557	1,557
Share capital at end of the period	**3,652**	**3,652**

Share capital structure:

Shareholder	Type of preference attached to shares	Type of limitation on rights to shares	Number of shares
SW Poland Holding B.V. (Netherlands)	None	-	4,119,508
Spruce Holding Limited Liability Company (USA)	None	-	1,726,174
Bleauhard Holdings LLC	None	-	904,207
ING NN OFE	None	-	600,000
OFE Polsat S.A.	None	-	485,974
AMPLICO	None	-	577,470
Other	None	-	2,062,877
TOTAL			10,476,210

Changes in share capital:

Item	*Jan 1–Dec 31 2012*	*Jan 1–Dec 31 2011*
Share capital at beginning of the period	3,652	3 652
Share capital increases during the period		
Share capital increase		
Share capital restated using hyperinflation index (IAS 19)		
Share capital reductions during the period		
Share capital at end of the period	**3,652**	**3,652**

Other components of equity

Item	Statutory reserve funds	Other components of equity
Balance as at Jan 1 2011	**154,136**	**36**
Increase		
Profit distributions	7,225	
Share capital increase – share premium		
Valuation of management stock options		
Decrease		
Management stock options		36
Balance as at Dec 31 2011	**161,361**	**0**
Increase		
Profit distributions	4,169	
Share capital increase – share premium		
Valuation of management stock options		
Decrease		
Management stock options		
Balance as at Dec 31 2012	**165,531**	**0**

Note 21. RETAINED EARNINGS (DEFICIT)

Retained earnings (deficit) do not include non-distributable amounts (amounts that are not available for distribution as dividends):

Item	Dec 31 2012	Dec 31 2011
Retained earnings (retained earnings/deficit)	2,902	2,902
Capital reserve from revaluation of hedging derivatives	1,333	-753

Note 22. FINANCIAL AND OTHER LIABILITIES

Item	Dec 31 2012	Dec 31 2011
Overdraft facilities	-	6,560
Bank borrowings	4,649	6,835
Other financial liabilities:	186	4,326
- valuation of financial instruments	*5*	*4,321*
- lease liabilities	*181*	*5*
Total financial liabilities	**4,835**	**17,721**
- non-current	3,100	5,126
- current	1,735	12,595

Bank borrowings and other debt instruments:

Item	Amount of liability	Interest rate
BANK BORROWINGS		
Dec 31 2012		
Investment overdraft facility		
BRE BANK S.A.	4,649	LIBOR 1M +1.55%
Total bank borrowings	**4,649**	**x**
Dec 31 2011		
Investment overdraft facility		
BRE BANK S.A.	6,835	LIBOR 1M +1.55%
Overdraft facilities		
Bank Handlowy	1,195	USD- LIBOR 1M +1.6 %
BZ WBK	3,903	PLN 1M WIBOR +1.1 %
BRE BANK	1,462	PLN WIBOR O/N + 1.5 %
Total bank borrowings	**13,395**	**x**

Non-current and current bank borrowings and other debt instruments as at December 31st 2012 and December 31st 2011:

Name and registered office of lender	Borrowing/instrument amount		Repayment date	Security
	PLN	Currency (USD)		
BRE BANK S.A. investment facility	4,649	1,500	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
Total as at Dec 31 2012	**4,649**	**X**	**x**	
Name and registered office of lender	**Borrowing/instrument amount**		**Repayment date**	**Security**
	PLN	**Currency (USD)**		
Bank Handlowy	1,195	350	May 4 2012	Submission to enforcement for up to USD 360 thousand
BZ WBK	3,903		Oct 31 2012	Submission to enforcement for up to PLN 16,000 thousand
BRE BANK	1,462		Mar 28 2014	Blank promissory note
BRE BANK S.A. investment facility	6,835	2,000	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
Total as at Dec 31 2011	**13,395**	**X**	**x**	

Borrowings by maturity:

Item	*Dec 31 2012*	*Dec 31 2011*
Current bank borrowings and other debt instruments	1,550	8,269
Non-current bank borrowings and other debt instruments	3,100	5,126
- repayable in more than 1 year, up to 3 years	*3,100*	*3,417*
- repayable in more than 3 years, up to 5 years	-	*1,709*
- repayable in more than 5 years	-	-
Total bank borrowings and other debt instruments	**4,649**	**13,395**

Bank borrowings and other debt instruments by currency:

Item	Dec 31 2012		Dec 31 2011	
	Value in foreign currency	Value in PLN	Value in foreign currency	Value in PLN
PLN	-	-	-	5,365
USD	1,500	4,649	2,350	8,030
Total bank borrowings and other debt instruments	**x**	**4,649**	**x**	**13,395**

Credit lines and other facilities as at Dec 31 2012:

Lender	Overdraft facility	Bank borrowing	Loan/facility amount as per agreement	Interest	Repayment date	Security
BRE BANK S.A.		4,649	Credit agreement No. 29/058/10/D/IN for a USD 2,500 thousand investment facility	USD 1M LIBOR + 1.55 %	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
Total		**4,649**				

As at December 31st 2012, SECO/WARWICK S.A. did not used any available overdraft facility.

Credit and other facilities as at Dec 31 2011:

Lender	Overdraft facility	Bank loan	Loan/facility amount as per agreement	Interest	Repayment date	Security
BRE BANK S.A.		6,835	Credit agreement No. 29/058/10/D/IN for a USD 2,500 thousand investment facility	USD 1M LIBOR + 1.55 %	Dec 31 2015	Ordinary mortgage for USD 2,500 thousand Ceiling mortgage for USD 250 thousand Submission to enforcement for up to USD 2,750 thousand
			General cooperation agreement No. 29/019/03/Z/PX, Annex 14 of April 21st 2011 for PLN 18,000 thousand	0.135% a.v, 1.62 pa; change in guarantee PLN 500	Mar 28 2014	Blank promissory note with a promissory note declaration, powers of attorney to SWSA's bank accounts held with BH, BZWBK, uncertified assignment of claims in the event that total debt under the FBD credit facility exceeds PLN 5m, maximum PLN 22m, submission to voluntary enforcement for up to PLN 27m
	1,462		Agreement No. 29/034/10//Z/VV, Annex 3 of February 27th 2012	PLN WIBOR O/N + 1.50%	Mar 28 2014	
Bank Handlowy	1,195		Agreement No. BDK/KRRB/000009908/0181/10 of	PLN 1M LIBOR + 1.6%	May 4 2012	Submission to enforcement for up to USD 360 thousand

			May 6th 2010 for overdraft facility of up to USD 600 thousand; USD Annex 3 of October 10th 2011			
			Framework agreement No. BDK/URT/0000099098/0056/11 of December 19th 2011 on a revolving guarantee facility;	0.15% a.v., 1.8 pa for each commenced month of the agreement term – payable in advance	Nov 30 2012	Submission to enforcement for up to PLN 3,600,000, entity to make an uncertified assignment of claims under contract if the amount used under the facility exceeds PLN 5m
BZ WBK S.A	3,903		Overdraft facility agreement No. KR K0007042 of October 20th 2011, Annex 3	PLN 1M WIBOR +1.1 %	Oct 31 2012	Submission to enforcement for up to PLN 16,000 thousand
Total	**6,560**	**6,835**				

LEASES

SECO/WARWICK S.A. concluded with BRE Leasing Sp. z o.o. lease agreement No. PO/77517/2009 for the lease of passenger car SUBARU Tribeca. The initial value, as per the lease agreement, was PLN 140 thousand. The agreement expiry date was January 13th 2012. As at the end of 2011, the lease liability amounted to PLN 5 thousand.

On July 31th 2012, SECO/WARWICK S.A. concluded with Volkswagen Leasing Sp. z o.o. lease agreement No. 6044242-1212-07457 for the lease of passenger car Audi A6. The initial value, as per the lease agreement, was PLN 363 thousand. The agreement expiry date is June 30th 2014. As at the end of 2012, the lease liability amounted to PLN 181 thousand.

As at December 31st 2012, the future minimum lease payments under lease agreements and the net present value of the minimum lease payments were as follows:

Item	Dec 31 2012		Dec 31 2011	
	Minimum lease payments	Present value of the lease payments	Minimum lease payments	Present value of the lease payments
Up to 1 year	81	77	5	5
From 1 year to 5 years	100	99		
Over 5 years				
Total minimum lease payments	**181**	**176**	**5**	**5**
Future interest expense	5			
Present value of minimum lease payments, including:	**176**	**176**	**5**	**5**
Current	77	77	5	5
Non-current	99	99		

Note 23. TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES AND OTHER LIABILITIES	Dec 31 2012	Dec 31 2011
a) trade payables maturing in:	8,750	10,277
- up to 12 months	8,750	10,277
- over 12 months		
b) prepaid deliveries	819	799
c) promissory notes payable		
d) taxes, customs duties, social security and other benefits payable (net of income tax)		
e) salaries and wages payable		1,216
f) other	3,120	1,778
TOTAL	**12,689**	**14,070**

Trade and other current payables by currency:

Item	Dec 31 2012		Dec 31 2011	
	in foreign currency	restated in PLN	in foreign currency	restated in PLN
PLN		9,542		8,459
EUR	354	1,447	991	4,375
USD	465	1,443	360	1,231
GBP	51	257	0.7	4
SEK			2	1
other				
Total		**12,689**	**x**	**14,070**

Trade payables by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30–60 days*	*60–90 days*	*90–180 days*	*>180 days*
Dec 31 2012	**9,569**	9,569					
Dec 31 2011	**11,076**	11,076					

Other current liabilities by delinquency period:

Item	*Total*	*Not past due*	*Past due but recoverable*				
			< 30 days	*30–60 days*	*60–90 days*	*90–180 days*	*>180 days*
Dec 31 2012	**3,086**	3,120					
Dec 31 2011	**2,994**	2,994					

Contingent liabilities

Contingent liabilities under guarantees and sureties:

Dec 31 2012	**Bank**	**Surety in respect of**	**Currency**	***IN FOREIGN CURRENCY***	***AMOUNT (PLN)****
Guarantee 1	BRE	PBG	EUR	184	753
Guarantee 2	BH	SBLC	USD	500	1,550
Guarantee 3	BH	SBLC	USD	506	1,568
Guarantee 4	BRE	PBG	EUR	80	327
Guarantee 5	BRE	PBG	PLN	45	45
Guarantee 6	BRE	PBG	EUR	58	236
Guarantee 7	BRE	PBG	USD	70	215
Guarantee 8	BRE	PBG	EUR	12	49
Guarantee 9	BRE	PBG	RUB	37,500	3,814
Guarantee 10	BRE	PBG	RUB	1,050	107
Guarantee 11	HSBC	APG	EUR	150	612
Guarantee 12	HSBC	SBLC	USD	1,100	3,410

Guarantee 13	BRE	bid bond	USD	34	106
Guarantee 14	BRE	APG	EUR	105	429
Guarantee 15	BH	APG	PLN	948	948
Guarantee 16	BRE	PBG	RUB	6,960	708
Guarantee 17	BH	APG	GBP	208	1,042
Guarantee 18	BH	APG	GBP	69	344
Guarantee 19	BRE	PBG	RUB	1,100	112
Guarantee 20	BH	PBG	EUR	54	223
Guarantee 21	BRE	APG	EUR	525	2,146
Guarantee 22	BRE	PBG	RUB	2,500	254
Guarantee 23	HSBC	APG	EUR	600	2,453
Guarantee 24	HSBC	APG	EUR	450	1,839
TOTAL					**23,290**

* The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2012.

Dec 31 2011	**Bank**	**Surety in respect of**	**Currency**	***IN FOREIGN CURRENCY***	***AMOUNT (PLN)****
Guarantee 1	BRE	PBG	PLN	37	37
Guarantee 2	BRE	PBG	EUR	184	813
Guarantee 3	BRE	PBG	EUR	174	766
Guarantee 4	BRE	PGB	EUR	137	605
Guarantee 5	BH	SBLC	USD	1,000	3,417
Guarantee 6	BRE	PGB	EUR	80	353
Guarantee 7	BH	SBLC	USD	500	1,709
Guarantee 8	BRE	PBG	EUR	58	254
Guarantee 9	BH	APG	EUR	513	2,266
Guarantee 10	BRE	PBG	EUR	12	53
Guarantee 11	BRE	APG	PLN	665	665
Guarantee 12	BRE	APG	EUR	207	914
Guarantee 13	BRE	PBG	USD	70	238
Guarantee 14	BH	SBLC	USD	506	1,729
Guarantee 15	BRE	PGB	EUR	12	53
Guarantee 16	BRE	APG	PLN	1,808	1,808
Guarantee 17	BRE	Payment guarantee	EUR	47	208
TOTAL					**15,889**

* The guarantees were translated at the mid-exchange rates quoted by the National Bank of Poland for December 31st 2011.

APG → advance payment guarantee
CRG → facility repayment guarantee
PBG → performance bond
CRB → facility repayment bond

Other sureties

Company name	Bank	Surety in respect of	Currency	Dec 31 2012	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	12,753
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,100
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	77,490
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500*	10,849
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800	5,579
S/W EUROPE S.A.	Bank Handlowy	Guarantee and credit facility	PLN	6,000	6,000
TOTAL					**115,771**

* As at December 31st 2012, Retech Systems used USD 2,450 thousand of available credit lines.

Company	Bank	Surety in respect of	Currency	Dec 31 2011	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	225,000	14,423
RETECH Systems	East West Bank	Credit guarantee	USD	1,000	3,417
RETECH Systems	East West Bank	Guarantee and credit facility	USD	19,000	64,931
Hart-Tech	BOŚ Bank	Conditional surety	PLN	2,000	2,000
TOTAL					**84,771**

On April 6th 2011, the Management Board of the Company adopted a resolution to increase the value of surety granted for SECO/WARWICK Allied Pvt. Ltd. (India) from INR 147,500 thousand to INR 225,000 thousand. The total value of the surety, translated at the INR/PLN mid-exchange rate quoted by the National Bank of Poland for the date of the resolution, is PLN 14,233 thousand.

On December 31st 2010, James A. Goltz advanced to Retech Systems LLC a loan of USD 1,000 thousand. Repayment of the loan is guaranteed by SECO/WARWICK S.A. At present, the principal outstanding under the loan is USD 500 thousand.

On July 6th 2012, the SECO/WARWICK Management Board provided a surety for the liabilities of RETECH SYSTEMS LLC of the US (a wholly-owned subsidiary of SECO/WARWICK S.A.). The surety is to secure repayment of credit facilities which are to be granted to RETECH SYSTEMS LLC by HSBC BANK USA, N.A. The surety was provided for up to USD 3,500,000 (three million, five hundred thousand US dollar) and up to USD 25,000,000 (twenty five million US dollar) and secures repayment of the principal amount with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.

On June 19th 2012 the Company’s Management Board adopted a resolution to issue a surety for liabilities of SECO/WARWICK Corp. (USA). The surety is to secure credit facilities granted to SECO/WARWICK Corp. by HSBC BANK USA, N.A. The surety was provided for up to USD 1,800,000 (one million, eight hundred thousand US dollars) and covers the repayment of principal with interest, commission fees, charges and costs under the credit facility agreement in the period from the agreement date to June 30th 2015.

On December 31st 2012, the Company executed a Surety Agreement with Bank Handlowy w Warszawie S.A. The surety provided by the Company for SECO/WARWICK EUROPE S.A., in the amount of PLN 6,000 thousand, serves as security for repayment of the bank's claims under an overdraft facility of PLN 5,000 thousand extended by the Bank under an Overdraft Facility Agreement. The surety expires on June 30th 2014.

Social assets and liabilities of the Company Social Benefits Fund

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

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

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

Item	Dec 31 2012	Dec 31 2011
Total tangible assets contributed to the Fund		
Loans advanced to employees	98	92
Cash	55	154
Liabilities to the Fund		
Net balance	108	198
Contributions to the Fund during financial period	351	344

Investment commitments

As at December 31st 2012, the Company had no capital commitments related to acquisition of property, plant and equipment; as at the end of 2011, investment commitments was PLN 107 thousand. These amounts were used to purchase new plant and equipment.

Note 24. PROVISIONS

EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Company receive retirement bonuses in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Company recognises a provision for the present value of the retirement bonus obligations.

Provision for retirement bonuses and similar benefits

NON-CURRENT PROVISION FOR RETIREMENT BONUSES AND BENEFITS	Jan 1– Dec 31 2012	Jan 1– Dec 31 2011
as at beginning of the period	165	110
increase	238	165
- provisions of acquired entities		
- provision recognised	238	165
use		
release	165	110
as at end of the period	**238**	**165**

The table below presents key assumptions made by the actuary, AVCS Sp. z o.o., as at the balance sheet date.

Item	*Dec 31 2012*	*Dec 31 2011*
Discount rate (%)	4.20	5.80
Expected inflation rate (%)	2.50	2.50
Expected rate of growth of salaries and wages (%)	5.00	5.00

CURRENT PROVISION FOR RETIREMENT AND SIMILAR BENEFITS (BY CATEGORY)	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
1. Provision for accrued holiday entitlements		
a) as at beginning of the period	**649**	**488**
b) increase	594	649
- provisions of acquired entities	-	-
- provision created	594	649
c) use	-	-
d) release	649	488
e) as at end of the period	**594**	**649**
2. Provision for bonuses		
a) as at beginning of the period	**1,452**	**1,433**
b) increase	2,901	2,324
- provisions of acquired entities	-	-
- provision recognised	2,901	2,324
c) use	2,583	1,433
d) release	-	872
e) as at end of the period	**1,770**	**1,452**
3. Provision for retirement bonuses		
a) as at beginning of the period	**78**	**56**
b) increase	68	78
- provisions of acquired entities	-	-
- provision recognised	68	78
c) use	-	-
d) release	78	56
e) as at end of the period	**68**	**78**

Other provisions

CHANGE IN OTHER CURRENT PROVISIONS (BY ITEM)	Jan 1–Dec 31 2012	Jan 1–Dec 31 2011
Provision for projected losses/additional expenses		
a) as at beginning of the period	**742**	**274**
b) increase	4,374	2,106
- provision recognised	4,374	2,106
c) use	-	-
d) release	4,573	1,638

f) as at end of the period	**543**	**742**
Provision for warranty repairs		
a) as at beginning of the period	**1,330**	**1,330**
b) increase	-	-
- provision recognised	-	-
c) use	-	-
d) release	-	-
f) as at end of the period	**1,330**	**1,330**
Provision for penalties		
a) as at beginning of the period	-	-
b) increase	-	-
- provision recognised	-	-
c) use	-	-
d) release	-	-
f) as at end of the period	-	-

Note 25. LEASES

Operating lease

SECO/WARWICK S.A. uses a passenger car Audi A6. The lease agreement with Volkswagen Leasing Polska Sp. z o.o. was concluded on July 7th 2012. For details, see Note 22.

In 2011, SECO/WARWICK S.A. neither used nor delivered for use any assets under operating lease agreements.

Finance leases

In 2011, SECO/WARWICK S.A. used a passenger car SUBARU Tribeca. The lease agreement with BRE Leasing was concluded on February 20th 2009. For details, see Note 22.

Note 26. DEFERRED INCOME

Item	*Dec 31 2012*	*Dec 31 2011*
- grant for partial financing of tangible assets	-	-
- grant from the Polish Ministry of Science and Higher Education	4,515	4,552
- excess of received prepayments over revenue recognised using the percentage of completion method	13,349	2,312
- contract costs – business partners	1,137	2,118
- adjustment to revenue connected with settlement of long-term contracts (invoiced amount exceeding revenue recognised using the percentage of completion method)	9,173	5,609
Total deferred income, including:	**28,174**	**14,591**
Non-current	4,515	4,552
Current	23,659	10,039

Note 27. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	*Dec 31 2012*	*Dec 31 2011*
Cash in the balance-sheet	**24,249**	**1,452**
exchange differences on balance-sheet valuation	26	-41
Total cash and cash equivalents disclosed in the statement of cash flows	**24,274**	**1,411**

Item	*Dec 31 2012*	*Dec 31 2011*
Depreciation and amortisation	**3,199**	**2,689**
amortisation of intangible assets	2,175	2,170
depreciation of property, plant and equipment	1,011	506
depreciation of investment property	13	13
Change in provisions results from the following items:	**438**	**726**
balance-sheet change in provisions	2,544	967
elimination of change in deferred tax liabilities	-2,419	-240
elimination of WTT settlements – equity component	313	-
Change in inventories results from the following items:	**961**	**-4,477**
balance-sheet change in inventories	322	-4,477
adjustment for the carrying amount (in the opening balance) of furnace transferred to inventories	640	-
Change in receivables results from the following items:	**6,282**	**-5,888**
balance-sheet change in current receivables	6,958	-6,997
elimination of income tax receivable	-676	1,098
Interest accrued on loans	-	11
Change in current liabilities (excluding financial liabilities) results from the following items:	**-2,030**	**-1,533**
balance-sheet change in current liabilities	-12,242	3,073
adjustment for change in liabilities related to acquisition of property, plant and equipment	-	105
elimination of change in bank borrowings	6,719	-946
valuation of derivative instruments	4,141	-4,255
liability towards Allied	-	490
liability towards SECO/WARWICK EUROPE	-461	
leasing	-187	
Change in accruals and deferrals results from the following items:	**23,071**	**4,807**
balance-sheet change in accruals and deferrals	22,184	3,488
elimination of change in deferred tax assets	887	1,319

Other:	**851**	**-**
income tax liabilities of the tax group	461	-
change in assets held for sale	390	-

Note 28. RELATED PARTIES

Related party	*Year*	*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities towards related parties*
SECO/WARWICK EUROPE					
	2012	7,559	6,624	916	3,216
	2011	7,177	2,507	5,859	1,045
SECO/WARWICK Corporation					
	2012	438	2,276	117	3,331
	2011	2,207	1,283	2,377	-
SECO/WARWICK GmbH					
	2012	107	2,516	46	524
	2011	-	-	442	-
SECO/WARWICK Moscow					
	2012	965	19,838	85	40
	2011	1,824	-	173	-
RETECH					
	2012	1,445	7,783	3,780	1,611
	2011	409	23	1,292	157
SECO/WARWICK RETECH					
	2012	421	1,234	400	4,607
	2011	353	-	922	-
SECO/WARWICK Allied					
	2012	-	30	-	562
	2011	1,053	-	1,080	-
SECO/WARWICK Service GmbH					
	2012	-	-	-	-
	2011	-	-	-	-
OOO SCT					
	2012	-	-	-	-
	2011	-	-	-	-

Other related parties

Employment contract between SECO/WARWICK S.A. and Piotr Zawistowski
Under the contract of February 1st 2007, Piotr Zawistowski was obliged to provide work to the Company as a junior maintenance engineer. The contract was first concluded for a probationary period of three months. On March 1st 2007, the parties signed an annex to the contract, transforming it into an employment contract for an indefinite term. The contract contains standard provisions, which comply with the Polish Labour Code. On May 5th 2008, Piotr Zawistowski assumed the position of Chief Manager of the Melting Furnaces Maintenance Division, on February 1st 2010 he was appointed Deputy Head of the Vacuum Division in charge of LPC technology and on May 4th 2010 - Head of the VOC Division. Piotr Zawistowski is a close family

member, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Ewa Zawistowska
Under the contract of January 2nd 2006, Ewa Zawistowska was obliged to provide work to the Company as a human resources management specialist. The contract was concluded for an indefinite term. On April 1st 2009, Ewa Zawistowska assumed the position of Management Board Office Administrator. The contract contains standard provisions, which comply with the Polish Labour Code. Ewa Zawistowska is a close family member, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Katarzyna Zawistowska
Under the contract of November 3rd 2008, Katarzyna Zawistowska was obliged to provide work to the Company as a full-time Planning Clerk. The contract was first concluded for a probationary period of three months. The next contract was concluded for a definite term. The contract contains standard provisions, which comply with the Polish Labour Code. Since February 2nd 2009, Katarzyna Zawistowska has been employed as Clerk in the Spare Parts Department. Katarzyna Zawistowska is a close family member, as defined in IAS 24, of Andrzej Zawistowski, member of the Management Board of SECO/WARWICK S.A.

Employment contract between SECO/WARWICK S.A. and Anna Klinowska
Under the contract of January 3rd 2005, Anna Klinowska was obliged to provide work to the Company as a full-time Management Board Assistant. The contract was first concluded for a probationary period. The next contract was concluded for a definite term. The contract contains standard provisions, which comply with the Polish Labour Code. Since June 1st 2007, Anna Klinowska has been employed as a Human Resources and Payroll Specialist. Anna Klinowska is a close family member, as defined in IAS 24, of Witold Klinowski, member of the Management Board of SECO/WARWICK S.A.

Other related parties	***2012***	***2011***
Short-term employee benefits (salaries, wages and overheads)	359	317
Length-of-service awards		
Post-employment benefits		
Termination benefits		
Share-based payments		

Note 29. KEY PERSONNEL REMUNERATION

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

The table below presents total remuneration paid or payable to members of the Management and Supervisory Boards:

Item	***2012***	***2011***
Management Board of SECO/WARWICK S.A.	**3,581**	**2,167**
Short-term employee benefits (salaries, wages and overheads)	3,542	2,167
Other employee benefits	39	
Supervisory Board of SECO/WARWICK S.A.	**352**	**138**
Short-term employee benefits (salaries, wages and overheads)	222	138
Length-of-service awards		
Post-employment benefits		

Termination benefits		
Fee under agreement for advisory services	130	
Total	**3,933**	**2,305**

MANAGEMENT BOARD REMUNERATION:

Name	Base pay	Other benefits	Total
MANAGEMENT BOARD			
Dec 31 2012			
Paweł Wyrzykowski	1,569	9	1,578
Wojciech Modrzyk	673	12	685
Witold Klinowski	746	9	755
Józef Olejnik	474	9	483
Andrzej Zawistowski – Vice-President of the Management Board (until May 25 2012)	80	0.2	80
Total	**3,542**	**39**	**3,581**
Dec 31 2011			
Leszek Przybysz	800	28	828
Andrzej Zawistowski	300		300
Wojciech Modrzyk	519		519
Witold Klinowski	536		536
Józef Olejnik	413		413
Total	**2 568**	**28**	**2 596**

SUPERVISORY BOARD REMUNERATION:

Name	*2012*	*2011*
Andrzej Zawistowski	206	-
- for his work as Chairman of the Supervisory Board	76	
- under agreement for advisory services	130*	
Henryk Pilarski	47	36
Zbigniew Rogóż	4	-
Dr Gutmann Habig	-	-
Piotr Kowalewski	33	30
Piotr Kula	21	24
Artur Rusiecki	10	24
Mariusz Czaplicki	31	24
Total	**222**	**138**

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

Note 30. FINANCIAL ASSETS

Item	Category (IAS 39)	Carrying amount		Fair value		Maximum credit risk exposure in 2012
		Dec 31 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011	
Financial assets						
Investments in related entities	Financial assets classified as held for sale	97,432	94,915	97,432	94,915	97,432
Available-for-sale financial assets	Financial assets classified as held for sale					
Loans advanced	Loans and receivables	2,463	2,453	2,463	2,453	2,463
Trade and other receivables	Loans and receivables	40,875	47,833	40,875	47 833	40,875
Derivative financial instruments	Financial liabilities at fair value through profit or loss	2,671		2,671		2,671
Cash and cash equivalents	Loans and receivables	24,249	1,452	24,249	1,452	
Guarantees granted	Loans and receivables	115 771	84 771	115 771	84 771	115 771
Financial liabilities						
Current						
Interest-bearing bank borrowings and other debt instruments, including:	Other financial liabilities at amortised cost					
- *overdraft facility*	Other financial liabilities at amortised cost		6,560		6,560	0
- *current loans*	Other financial liabilities at amortised cost	1,550	1,709	1,550	1,709	0
- *finance lease liabilities (current)*	Other financial liabilities at amortised cost	181	5	181	5	0

Trade payables and other liabilities	Other financial liabilities at amortised cost	12,689	14,071	12,689	14,071	0
- *currency forwards*	Financial liabilities at fair value through profit or loss	5	4,321	5	4,321	0
Non-current						
- *non-current bank borrowings*	Other financial liabilities at amortised cost	3,100	5,126	3,100	5,126	0
Trade payables and other liabilities	Other financial liabilities at amortised cost					
- finance lease liabilities (non-current)	Other financial liabilities at amortised cost					0

Financial assets and liabilities at fair value	**Dec 31 2012**		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss		X	
Financial assets available for sale			-
Financial liabilities at fair value through profit or loss		X	
Hedging instruments – assets		X	
Hedging instruments – liabilities		X	

Financial assets and liabilities at fair value	**Dec 31 2011**		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss		X	
Financial assets available for sale		-	
Financial liabilities at fair value through profit or loss		X	
Hedging instruments – assets		X	
Hedging instruments – liabilities		X	

For the purpose of measurement of derivative financial instruments the Company uses information provided by banks without reviewing their respective valuation models in detail. Therefore, the Group decided to classify the measurement of derivative instruments as Level 2 measurement.

Note 31. WORKFORCE STRUCTURE

Item	***Dec 31 2012***	***Dec 31 2011***
Blue-collar employees	105	107
White-collar employees	193	187
Employees on parental leaves	2	2
Total	**300**	**296**

Note 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

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

to above on an ongoing basis. The Management Board receives regular update reports on the type and extent of exposure to a given risk.

32.1 Currency risk

The Company is exposed to currency risk, arising in connection with sales, trade receivables, financial liabilities and bank loans denominated in EUR and USD. The currency risk hedging strategy, the objective of which is to minimise the effects of exchange rate fluctuations, is defined and periodically reviewed by the Management Board. In 2012, the following strategy was applied to manage currency risk:

In accordance with the currency risk management procedures in place at the Company, each contract executed by the Company is hedged by means of a forward transaction so as to ensure that the exchange rate budgeted for a given contract is met. With respect to each forward contract entered into by the Company, hedge accounting documentation is maintained in accordance with Par. 88 of IAS 39. The documentation specifies the parameters of the hedge (the forward contract), of the hedged item (contract or payment) and the effectiveness of the hedge. The effectiveness of a hedge is measured at least at the end of every quarter. Where the documented effectiveness of a hedge is high (changes in market value of the forward are fully offset by changes in market value of the payment), hedge accounting is applied – the valuation of the derivative instrument is recognised in equity and then reclassified into the income statement at the time when the related sale is recognised in profit or loss. By using hedge accounting, the Company is able to match the costs with the revenues under hedging transactions.

The Company enters into forward transactions based on the criterion of high effectiveness, as specified in IAS 39 (changes in market value of the forward are fully offset by changes in market value of the payment). Purchase of PUT options is also acceptable, even if the criterion of effectiveness is not met.
Analysis of the Company’s sensitivity to fluctuations in PLN/USD and PLN/EUR exchange rates

Assuming a 10% depreciation of the US dollar against the złoty as at December 31st 2012 (all other things being equal), both the Company’s net profit for the financial year 2012 and the Company's equity would have been lower by PLN -2,224 thousand (for 2011, the respective figure would have been PLN -890 thousand). Conversely, assuming a 10% appreciation of the US dollar against the złoty (all other things being equal), both the Company’s net profit for the financial year 2012 and its equity would have been higher by PLN +2,224 thousand (for 2011: PLN +1,890 thousand in both cases).

Assuming a 10% depreciation of the euro against the złoty as at December 31st 2012 (all other things being equal), both net profit for the financial year 2012 and equity would have been lower by PLN -5,103 thousand (for 2011, net profit would have been lower by PLN -4,840 thousand). Conversely, assuming a 10% appreciation of the euro against the złoty (all other things being equal), both net profit for the financial year 2012 and equity would have been higher by PLN +5,103 thousand (for 2011, net profit would have been higher by PLN +4,840 thousand).

Given that a significant portion of revenue is denominated in the Russian rouble, the Company additionally tested its sensitivity to appreciation and depreciation of the currency. Assuming a 10% depreciation of the rouble against the złoty as at December 31st 2012 (all other things being equal), both net profit for the financial year 2012 and equity would have been lower by PLN -738 thousand. Conversely, assuming a 10% appreciation of the rouble against the złoty (all other things being equal), both net profit for the financial year 2011 and equity would have been higher by PLN +738 thousand.

Assumptions adopted for 2012:

- average USD/PLN exchange rate used to translate items of the income statement: 3.2312
- average EUR/PLN exchange rate used to translate items of the income statement: 4.1736
- USD/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 3.0996
- EUR/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 4.0882
- average RUB/PLN exchange rate used to translate items of the income statement: 0.1043
- average RUB/PLN exchange rate used to translate items of the income statement: 0.1017

Assumptions adopted for 2011:

- average USD/PLN exchange rate used to translate items of the income statement: 2.9679
- average EUR/PLN exchange rate used to translate items of the income statement: 4.1401
- USD/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 3.4174
- EUR/PLN exchange rate as at the end of the period used to translate items of the statement of financial position: 4.4168

The Company acknowledges that its sales may potentially lead to a concentration of currency risk. In the financial year under analysis, 55% of revenue was generated in EUR, 20% – in USD, 6% – in RUB and 19% – in PLN and GBP.

32.2 Interest rate risk

The Company’s exposure to interest rate risk is not material. In the financial year 2012, the total amount of interest on the Company's liabilities under bank borrowings was PLN 311 thousand.

32.3 Risk related to product prices

The bulk of the Company’s sales revenue is generated under long-term contracts for the supply of equipment. At the proposal preparation stage, each piece of equipment is priced using the current prices of materials and labour. In addition, the fixed costs and the assumed margin on the equipment are taken into account. As a result, in the opinion of the Company’s Management Board, the price risk is minimised.

Nevertheless, the achievement of the Company’s strategic objectives concerning product prices may be hindered by competition. If competitive pressures intensify, especially in Asian markets, they may adversely affect the Company’s ability to meet its planned financial results. The Company’s Management Board believes that the SECO/WARWICK S.A. is now engaged in numerous activities to strengthen its market position and increase its competitive edge by offering high quality services and comprehensive solutions, ensuring that its product mix is flexible, enhancing its existing and building new competence, using state-of-the-art technologies and developing new technological solutions.

32.4 Capital management

The Company’s capital management relies on a sustainable financial policy, designed to secure financial resources sufficient to finance the Company’s business development, while ensuring that its financing structure and liquidity levels are adequate. The Company’s capital is defined as the sum of equity and net debt.

The Company’s capital management policy takes into account two key elements:

- operating performance in the context of investment and development plans,
- dividend policy and the external debt repayment schedule.

In order to combine these factors, the Company periodically defines its financing structure framework. The current targets under the capital management policy are as follows:

- current ratio – in the range from 1.5 to 2.5,

The capital management policy adopted by the Company requires it to maintain financial discipline, while giving it enough flexibility to support profitable development.
As there are no external requirements regarding the Company's capital, its capital structure may be shaped taking into account the operating performance and the dividend policy.
Capital management is also centred around the goal of maintaining a predetermined level of financial liquidity which allows the Company both to repay its external debt as its falls due and to finance the expenditures connected with the Company's business risk. That goal is pursued for instance by maintaining available credit facilities that may be drawn when the need arises.

32.5 Liquidity risk

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

The Company also manages its liquidity risk by maintaining available unused credit facilities which serve as a liquidity reserve securing solvency and financial flexibility. The Company considers its bank loans as financial instruments that may potentially lead to a concentration of liquidity risk as the Company enters into cooperation with selected financial institutions only (see Note 22). As at December 31st 2011, current bank borrowings represented 11% of total current liabilities (December 31st 2011: 31%).

The table below presents the Company's financial liabilities by maturity as at December 31st 2012 and December 31st 2011, based on contractual undiscounted payments.

Dec 31 2012	**Payable on demand**	**up to 1 year**	**1–5 years**	**Over 5 years**	**Total as at Dec 31 2012**
Interest-bearing loans and borrowings		1,550	3,100		**4,649**
Trade payables		9,569			**9,569**
Other liabilities		3,306			**3,306**
TOTAL		**14,425**	**3,100**		**17,525**
Dec 31 2011	**Payable on demand**	**up to 1 year**	**1–5 years**	**Over 5 years**	**Total as at Dec 31 2011**
Interest-bearing loans and borrowings		8,269	5,126		**13,395**
Trade payables		11,077			**11,077**
Other liabilities		7,321			**7,321**
TOTAL		**26,667**	**5,126**		**31,793**

The maturity structure of liabilities is presented in Note 23.

32.6 Credit risk

The Company operates a policy of selling its products and services only to customers whose reliability it has checked. Management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables. The Company considers its trade receivables as financial assets that may potentially lead to a concentration of liquidity risk. The Company defines its exposure to credit risk as the total amount of outstanding receivables and monitors the balances owed by each customer on a regular basis. As at December 31st 2012, the share of receivables from none of the customers exceeded the materiality level (10% of total net trade receivables).

	Item	Dec 31 2012	Dec 31 2011
	up to 1 month	4,390	3,824
	more than 1 month, up to 6 months	22,095	37,957
	more than 6 months, up to 1 year	3,074	190
	more than 1 year	1,201	-
	past due	2,670	812
	Total trade receivables (gross)	34,688	44,076
	Impairment losses on trade receivables	1,258	1,293
	Total trade receivables (net)	**33,430**	**42,783**

33. MANAGEMENT STOCK OPTIONS

With a view to providing additional incentives to the Company's management staff to continue work on the development and consolidation of the SECO/WARWICK Group, and to further increase the value of SECO/WARWICK shares, on May 28th 2012 the Annual General Meeting approved the key objectives of the 2012–2016 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2012–2016 Incentive Scheme").

Key terms of the 2012–2016 Incentive Scheme:

1. The person serving as President of the Management Board as at the date of the Resolution (**"President of the Management Board"**) and the key company employees indicated by the President of the Management Board in consultation with the Supervisory Board (jointly with the President of the Management Board - the **"Eligible Persons"**) shall be eligible for participation in the 2012–2016 Incentive Scheme. With respect to each Eligible Person other than the President of the Management Board, an a_i ratio, referred to in Par. 2.11 below, shall be determined along with the indication of the person. The list of Eligible Persons shall be prepared by the Supervisory Board in consultation with the President of the Management Board within three months from the date of the Resolution.

2. The 2012–2016 Incentive Scheme shall include up to 500,000 (five hundred thousand) of Company Series E shares (**"Series E Shares"**). The President of the Management Board shall be entitled to acquire up to 250,000 (two hundred and fifty thousand) Series E Shares, and the other Eligible Persons shall have the right to acquire up to the remaining 250,000 (two hundred and fifty thousand) Series E Shares.

3. Under the 2012–2016 Incentive Scheme, the Eligible Persons shall be entitled to acquire Series B subscription warrants (**"Series B Warrants"**) free of charge. Series B Warrants shall confer the right to acquire Series E Shares at their par value of PLN 0.20 (twenty grosz) per share.

4. One Series B Warrant shall confer the right to acquire one Series E Share.

5. The 2012–2016 Incentive Scheme shall be implemented by way of resolutions adopted by the General Meeting on conditional share capital increase by up to PLN 100,000 (one hundred thousand złoty), through an issue of up to 500,000 (five hundred thousand) Series E Shares and an issue of up to 500,000 (five hundred thousand) Series B Warrants, with full waiver of the existing shareholders' pre-emptive rights to all Series E Shares and Series B Warrants.

6. The 2012–2016 Incentive Scheme is planned to cover a period of four years starting from the date of its approval by the General Meeting. The duration of the 2012–2016 Incentive Scheme may be extended by the Supervisory Board making relevant changes in the Rules of the Incentive Scheme.

7. The number of Series B Warrants issued to the Eligible Persons shall depend on:

(i) the price of the Company shares on the Warsaw Stock Exchange ("**WSE**"), or

(ii) the price of selling, in one or more transactions (including as part of a tender offer), shares conferring the rights to at least 33% (thirty-thee per cent) of the total vote at the General Meeting, by a shareholder or shareholders acting jointly under a memorandum of understanding, agreement, arrangement, or as part of any other relationship in fact or in law, holding in aggregate, directly or indirectly, Company shares conferring the right to at least 33% (thirty-thee per cent) of the total vote at the General Meeting ("**Major Shareholder"**; the term may refer to one or more shareholders acting jointly), to a third party (other than a Major Shareholder or a related party of any of the Major Shareholders). If the shares are sold by a Major Shareholder in more than one transactions, then the number of Series B Warrants to be issued to Eligible Persons shall be calculated on the basis of the arithmetic mean of the selling prices in all the transactions, weighted by the number of the Company shares sold in a given transaction.

8. An Eligible Person shall be entitled to acquire Series B Warrants a number of times during the term of the Incentive Scheme, however, not more frequently than twice in a calendar year. The limited frequency with which the right to acquire Series B Warrants may be exercised does not apply when the exercise of the right by an Eligible Person is based on the sale of the Company shares by a Major Shareholder.

9. An Eligible Person shall be entitled to acquire Series B Warrants if:

(i) the average price of the Company shares from the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the Eligible Person is at least PLN 35 (thirty-five złoty) per share, or

(ii) a Major Shareholder decides to sell at least 33% (thirty-three per cent) of all Company shares to an entity other than a Major Shareholder or a related party of a Major Shareholder, at a price of at least PLN 35 (thirty-five złoty) per share. An Eligible Person may acquire Series B Warrants no sooner than 3 (three) months from the date of notifying the Company of its intention to acquire Series B Warrants. The Company shall procure that Series B Warrants are issued to Eligible Persons no later than within 4 (four) months following the receipt of the notification. Series B Warrants may be issued through an investment firm, acting as a custodian.

10. The maximum number of Series B Warrants which may be acquired by the President of the Management Board shall be calculated based on the following formula:

$$Q = 6.666\,P - 183.310$$

provided that:

$$dla\ P < 35PLN \implies Q = 0$$

$$dla\ P \geq 65\ PLN \implies Q = 250.000$$

where:

Q shall mean number of Series B Warrants;

P shall mean, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the President of the

Management Board, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and the acquirer.

If the number of Series B Warrants which may be acquired by the President of the Management Board, determined based on the above formula, is not an integer, such number shall be rounded down to the nearest integer.

Each time the President of the Management Board exercises its right to acquire Series B Warrants, the number of Series B Warrants to which it is entitled shall be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the President of the Management Board under the 2012–2016 Incentive Scheme.

11. The maximum number of Series B Warrants which may be acquired by an Eligible Person other than the President of the Management Board shall be calculated based on the following formula:

$$Q = a_i \times (6.666\,P - 183.310)$$

provided that:

$$dla\ P < 35PLN \quad \Rightarrow Q = 0$$

$$dla\ P \geq 65\ PLN \ \Rightarrow Q = a_i \times 250.000$$

where:

Q shall mean the number of Series B Warrants;

P shall mean, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the given Eligible Person, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and the acquirer.

a_i shall mean a ratio determined individually for each Eligible Person, provided that

$$a_i \in (0{,}1)\ oraz\ \textstyle\sum_{i=1}^{n} a_i \leq 1$$

If the number of Series B Warrants which may be acquired by an Eligible Person, determined based on the above formula, is not an integer, such number shall be rounded down to the nearest integer value.

Each time an Eligible Person exercises its right to acquire Series B Warrants, the number of Series B Warrants to which it is entitled shall be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the Eligible Person under the 2012–2016 Incentive Scheme.

12. The number of Series B Warrants acquired by the particular Eligible Persons shall in no event be higher than: (i) 250,000 (two hundred and fifty thousand) in the case of Series B Warrants acquired by the President of the Management Board; and (ii) $a_i \times 250{,}000$ (two hundred and fifty thousand) in the case of an Eligible Person other than the President of the Management Board.

13. The Eligible Person who has acquired Series B Warrants under the 2012–2016 Incentive Scheme shall be entitled to acquire Series E Shares at any time, however, no later than by December 31st 2016.

34. CAPITALISED BORROWING COSTS

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

35. REVENUE GENERATED SEASONALLY, CYCLICALLY OR OCCASIONALLY

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

36. COURT PROCEEDINGS

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

37. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. Lack of reference to well-established legal regulation in Poland has resulted in ambiguity and inconsistency of the applicable laws and regulations. Frequent differences of opinion on the legal interpretation of tax laws, both between different governmental authorities and between governmental authorities and companies, create areas of uncertainty and conflicts. Therefore, the tax risk in Poland is significantly higher than is usually the case in countries with more developed tax systems.
Tax settlements may be subject to tax inspection for a period of five years from the end of the calendar year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the Group.
In the Management Board’s opinion, as at December 31st 2012, there was no need to recognise provisions for any recognised and measurable tax risks. The Company pays its tax liabilities when due.
From January 1st 2004 to March 31st 2010, SECO/WARWICK S.A. and SECO/WARWICK EUROPE S.A., the subsidiary, formed a tax group. As of January 1st 2012, the two companies have again been consolidated for tax purposes.

38. WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

Not applicable

39. EVENTS SUBSEQUENT TO THE BALANCE-SHEET DATE

On January 3rd 2013, in Current Report No. 01/2013 the SECO/WARWICK Management Board reported of the acquisition of shares in a subsidiary. On December 18th 2012, the Extraordinary General Meeting of SECO/WARWICK EUROPE S.A. of Świebodzin, a wholly-owned subsidiary of SECO/WARWICK S.A., adopted Resolution No. 1/2012 on share capital increase at SECO/WARWICK EUROPE S.A. through the issue of new Series B ordinary registered shares, which were offered to SECO/WARWICK S.A. in a private placement in exchange for a non-cash contribution (the "Contribution"). Pursuant to the Resolution, the share capital of SECO/WARWICK EUROPE S.A. was increased. On January 2nd 2013, SECO/WARWICK EUROPE S.A. submitted to SECO/WARWICK S.A. an invitation to acquire the New Shares. The Company accepted the invitation and executed with SECO/WARWICK EUROPE S.A. a share purchase agreement concerning the New Shares. Under the Share Purchase Agreement, SECO/WARWICK S.A. acquired the New Shares for a total issue price of PLN 82,218,000 in exchange for the Contribution.

On January 3rd 2013, in Current Report No. 02/2013 the Management Board of SECO/WARWICK S.A. reported of the disposal of an organised part of the Company's business to a subsidiary as a contribution to cover the subsidiary's new issue shares.

In Current Report No. 04/2013, dated March 22nd 2013, the Management Board of SECO/WARWICK S.A. reported that on March 22nd 2013 the Company and shareholders (hereinafter jointly referred to as the "Selling Shareholders") of Seco/Warwick Allied Private Limited of Maharashtra, India ("SWAPL"), in which the Company holds a 50% interest, representing 50% of SWAPL's equity and carrying the right to 50% of the total vote at the General Meeting of SWAPL, entered into a conditional agreement on purchase by the Company of [27,339] SWAPL shares, representing 25% of SWAPL's equity and carrying the right to 25% of the total vote at its General Meeting (the "Sale Shares") (the "Agreement"). Pursuant to the Agreement, the acquisition of Sale Shares by the Company depends on fulfilment – to the Company's satisfaction – of certain conditions precedent, specified in the Current Report. Under the Agreement, the total selling price for the Sale Shares is 161,000,000 Indian rupees (PLN 9,590,609, translated at the mid-exchange rate quoted by the National Bank of Poland for March 22nd 2013) (the "Selling Price"), and the total Selling Price is to be paid by the Company in three instalments, upon fulfilment of conditions precedent to each payment.

In Current Report No. 05/2013, dated March 25th 2013, the Management Board of SECO/WARWICK S.A. with registered office in Świebodzin, at ul. Sobieskiego 8, (the "Issuer") reported that the conditions precedent were fulfilled for purchase of 9,090 Sale Shares and payment of the first instalment of the Selling Price of 53,529,280 Indian rupees (PLN [3,156,996], translated at the mid-exchange rate quoted by the National Bank of Poland for March 25th 2013), as defined in the agreement for purchase of shares in Seco/Warwick Allied Private Limited of Maharashtra, India ("SWAPL"), made between the Company and SWAPL shareholders. Following the acquisition of 9,090 Sale Shares, the Company will hold 63,765 shares, representing 58.3% of the SWAPL share capital and carrying the right to 58.3% of the total vote at the General Meeting of SWAPL.

For details on events subsequent to the balance-sheet date, see current reports available on the corporate website at www.secowarwick.com

40. FINANCIAL STATEMENTS ADJUSTED FOR INFLATION

In the presented reporting periods, the Company did not revalue its share capital and other capitals to account for hyperinflation.

Date: April 26th 2013

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