THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2014 PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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I. General information

Information on the SECO/WARWICK Group

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

The five main product groups of the SECO/WARWICK Group include:

- vacuum furnaces,
- aluminium heat exchanger brazing systems,
- aluminium heat treatment systems,
- atmosphere furnaces,
- metallurgy equipment used for melting and vacuum casting of metals and specialty alloys.

The SECO/WARWICK Group's operations are divided into five core business segments corresponding to the product groups:

- vacuum furnaces (Vacuum),
- aluminium heat exchanger brazing systems (Controlled Atmosphere Brazing),
- aluminium heat treatment systems (Aluminium Process),
- atmosphere furnaces (Thermal), and
- melting furnaces.

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

- SECO/WARWICK EUROPE S.A. (until October 19th 2012: SECO/WARWICK ThermAL S.A.),
- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.,
- SECO/WARWICK GmbH,
- SECO/WARWICK Service GmbH,
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India,
- SECO/WARWICK do Brasil Ind. de Fornos Ltda.

Other Group companies are:

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

The Group also includes the following associates:

- OOO SCT (Solnechnogorsk) Russia, in which the Parent holds a 50% interest, conferring the right to 50% of the total vote at the General Meeting of the company.

The companies are described in the table below.

Structure of the Group as at March 31st 2014

Table: As at March 31st 2014, the structure of the SECO/WARWICK Group was as follows:

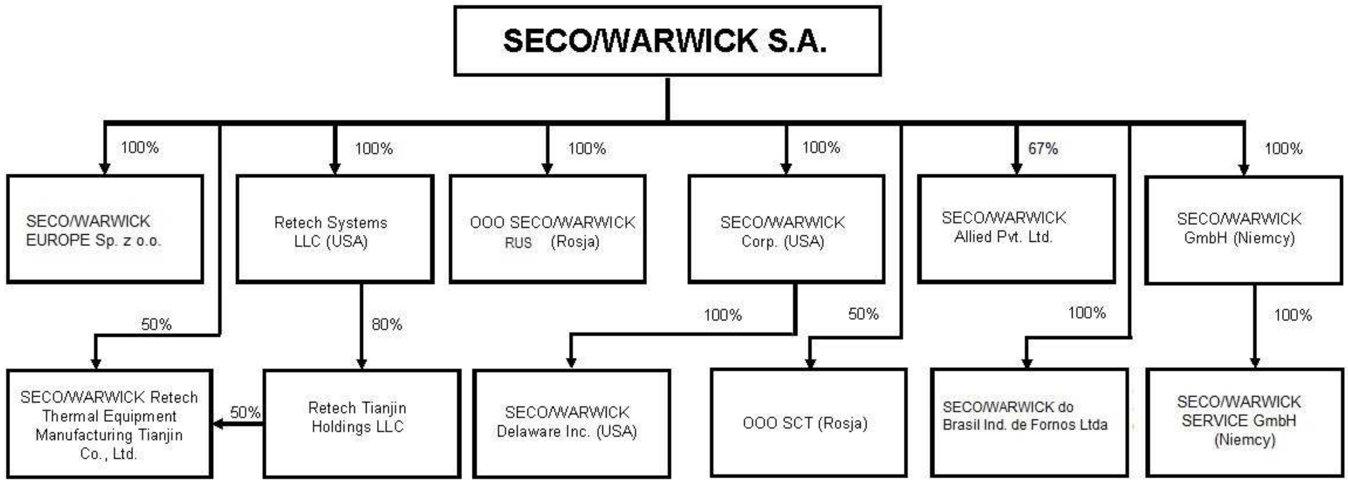
Company	Registered office	Business profile	Method of consolidation/ accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin	Manufacture of vacuum furnaces, aluminium heat exchanger brazing systems and aluminium heat treatment systems	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK EUROPE Sp. z o.o.	Świebodzin	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	A holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	Full	100%
SECO/WARWICK Rus	Moscow (Russia)	Distribution of the SECO/WARWICK Group's products	Full	100%
Retech Systems LLC	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of metal heat treatment equipment	Full	90%
Retech Tianjin Holdings LLC	(USA)	Activities of a holding company.	Full	80%
SECO/WARWICK Allied Pvt., Ltd.	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	66.7%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces manufactured by SECO/WARWICK S.A. and SECO/WARWICK EUROPE Sp. z o.o., and provision of technical support to customers in Germany, Austria, the Netherlands, Switzerland, Liechtenstein, and Slovenia	Full	100%

OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	Equity	50%
SECO/WARWICK Service GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany	Full	100%
SECO/WARWICK do Brasil Ltda. (Engefor Engenharia Indústria e Comércio Ltda)	Jundiaí (Brazil)	Manufacture of metal heat treatment equipment	Full	100%

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

After March 31st 2014 and until the publication of this Report, there were no changes in the composition of the SECO/WARWICK Group.

SECO/WARWICK Group's structure as at March 31st 2014:



II. Description of applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses

These consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value. Liabilities under the pension plan operated by a subsidiary are also measured at fair value.

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

Presentation of financial statements

Presentation of the statement of financial position

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

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

Presentation of the statement of comprehensive income

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

Earnings per share

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

Intangible assets

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

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

To assess whether an internally generated intangible asset meets the criteria for recognition, the entity classifies the generation of the asset into:

- the research phase,
- the development phase.

All expenditure incurred in the first phase is 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 the cost of business combination 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 any cumulative impairment losses. Goodwill is not amortised.

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

Item	Patents and licences	Software
Useful life	5–10 years	5–15 years
Amortisation method	Amortised over agreement term using straight-line method	Amortised using straight-line method
Origin	Acquired	Acquired
Impairment testing/measuring recoverable amount	Annual impairment testing	Annual impairment testing

Property, plant and equipment

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

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

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

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

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

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

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

Non-current assets under construction

Non-current 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. Non-current assets under construction are presented in the statement of financial position at cost less any impairment losses. Non-current assets under construction are not depreciated or amortised.

Investment property

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

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

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

Financial assets and liabilities

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

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

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

Recognition and measurement of financial assets

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

Receivables

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

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

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

Cash and cash equivalents

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

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

Recognition and measurement of financial liabilities

Liabilities under borrowings

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

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

Hedge accounting

There are three types of hedging relationships:

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

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

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

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

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

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

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

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

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

Inventories

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

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

Deferred income tax

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 that it is probable that the assets will be realised and that future taxable profit will be available against which the differences can be utilised. Unrecognised deferred tax assets are reviewed as at each reporting date. Any previously unrecognised deferred tax assets are recognised to the extent that it is probable that there will be future taxable income available 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 by the end of the reporting period.

Provisions

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

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

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

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

The Group recognises the following provisions:

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

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

Accruals and deferred income

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

Accrued expenses

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

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

Deferred and accrued income

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

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

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

Functional currency and presentation currency

a) Functional currency and presentation currency

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

b) Transactions and balances

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

Material judgements and estimates

In view of the fact that many items presented in the consolidated financial statements cannot be measured accurately, certain estimates need to be made in the preparation of the consolidated financial statements. The Management Board reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2013 may change in the future.

Depreciation/amortisation charges

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

Depreciation/amortisation charges for assets used under finance lease agreements

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

Deferred tax assets

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

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

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 Group applies the provisions of IAS 11 Construction Contracts. When the outcome of a construction contract can be estimated reliably, the percentage of completion method is used. The 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 Group makes estimates regarding the outcome of each contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised in profit or loss.

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

The Group applies the above rules to account for commercial contracts related to the Group'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 trading partners not yet invoiced.

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

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

Any excess of invoiced revenue is recognised as deferred income.

Derivative financial instruments

Derivative 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 judgement 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 2013 were made with respect to contingent liabilities and provisions for claims.

Changes in accounting policies

The accounting policies applied when preparing annual consolidated financial statements are consistent with the accounting policies used to draw up the annual consolidated financial statements for the year ended December 31st 2012, save for the following amendments to standards and interpretations effective for periods beginning on January 1st 2013:

a) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*;

b) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – *Government Loans*;

c) Amendments to IFRS 7 Financial Instruments – Disclosures: *Offsetting Financial Assets and Financial Liabilities*;

d) IFRS 13 Fair Value Measurement;

e) Amendments to IAS 12 Income Taxes – *Deferred Tax: Recovery of Underlying Assets*;

f) Amendments to IAS 19 Employee Benefits;

g) Annual Improvements to IFRSs (2009–2011 Cycle) covering IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34;

h) IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.

In 2013, the Group adopted all the new and approved standards and interpretations issued by the International Accounting Standards Board and the Interpretations Committee and endorsed by the EU, which apply to the Company's business and are effective for reporting periods beginning on or after January 1st 2013.

New standards to be applied by the Group

The Group did not choose to apply early any standards and amendments to standards endorsed by the European Union, which are effective for reporting periods beginning on or after January 1st 2014:

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. The investor reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. 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 considering 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 (May 12th 2011)	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
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
IAS 28 Investments in Associates and Joint Ventures (May 12th 2011)	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

Standard	Nature of impending change in accounting policy	Effective for periods beginning on or after:
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

Standards and Interpretations adopted by the IASB, but not yet endorsed by the EU:

a) IFRS 9 Financial Instruments (of November 12th 2009, with subsequent amendments to IFRS 9 and IFRS 7 of December 16th 2011).

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 at fair value.
A financial asset is measured at amortised cost if both of the following conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect 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 amount 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.

b) Amendments to IAS 19 Employee Benefits – Employee contributions, effective for reporting periods beginning on or after July 1st 2014.

The proposals provide that contributions from employees or third parties that are linked solely to the employee's service rendered in the same period in which they are paid, may be treated as a reduction in the service cost and accounted for in that same period.
Other employee contributions would be attributed to periods of service in the same way as the gross benefits under the scheme.

a) Annual Improvements to IFRSs (2010–2012 Cycle), effective for reporting periods beginning on or after July 1st 2014.

b) Annual Improvements to IFRSs (2011–2013 Cycle), effective for reporting periods beginning on or after July 1st 2014.

c) IFRIC 21: Levies (May 20th 2013), effective for reporting periods beginning on or after January 1st 2014.

The interpretation relates to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. One of the criteria for the recognition of a liability under IAS 37 is the requirement for a present obligation to have arisen as a result of a past event (obligating event).
The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy imposed by the government is an activity that triggers the payment of the levy in accordance with applicable legislation. The interpretation does not apply to fines and penalties imposed for breach of law and levies that are within the scope of other IFRS/IAS (e.g. IAS 12 Income Taxes).

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

III. Financial highlights

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

Financial year	Mar 31 2014	Dec 31 2013	Mar 31 2013
Average exchange rate for the period*	4.1894	4.2110	4.1738
Exchange rate effective for the last day of the period	4.1713	4.1472	4.1774

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

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

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

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

Key consolidated financial data	Q1 Jan 1–Mar 31		Q1 Jan 1–Mar 31	
	2014	2013	2014	2013
	(PLN '000)		(EUR '000)	
Revenue	103,983	118,452	24,820	28,380
Cost of sales	-76,559	-91,212	-18,274	-21,853
Operating profit/(loss)	7,500	9,184	1,790	2,200
Profit/(loss) before tax	6,691	9,612	1,597	2,303
Net profit/(loss)	4,222	5,572	1,008	1,335
Net cash flows from operating activities	6,106	9,156	1,457	2,194
Net cash flows from investing activities	-4,350	-4,538	-1,038	-1,087
Net cash flows from financing activities	5,078	-2,948	1,212	-706
	Mar 31 2014	**Dec 31 2013**	**Mar 31 2014**	**Dec 31 2013**
Total assets	506,835	458,745	121,505	109,816
Total liabilities	240,289	195,675	57,605	46,841
including current liabilities	188,522	162,701	45,195	38,948
Equity	266,546	263,071	63,900	62,975
Share capital	3,704	3,652	888	874

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

Separate financial highlights	Q1 Jan 1–Mar 31		Q1 Jan 1–Mar 31	
	2014	2013	2014	2013
	(PLN ’000)		(EUR ’000)	
Revenue	10,292	2,677	2,457	641
Cost of sales	-10,591	-2,620	-2,528	-628
Operating profit/(loss)	-1,248	-2,214	-298	-530
Profit/(loss) before tax	7,360	4,801	1,757	1,150
Net profit/(loss)	6,902	4,538	1,648	1,087
Net cash flows from operating activities	-3,775	2,549	-901	611
Net cash flows from investing activities	7,328	-18,898	1,749	-4,528
Net cash flows from financing activities	-1,582	-142	-378	-34
	Mar 31 2014	**Dec 31 2013**	**Mar 31 2014**	**Dec 31 2013**
Total assets	236,188	199,118	56,622	47,665
Total liabilities	32,875	16,275	7,881	3,896
including current liabilities	14,705	7,316	3,525	1,751
Equity	203,313	182,843	48,741	43,770
Share capital	3,704	3,652	888	874

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2014

Consolidated statement of financial position (PLN '000)

PLN '000	Mar 31 2014	Dec 31 2013
ASSETS		
Non-current assets		
Property, plant and equipment	82,601	80,215
Investment property	-	399
Goodwill	80,242	78,861
Intangible assets	21,149	19,589
Investments in associates	2,957	3,404
Financial assets available for sale	3	3
Non-current receivables	1,458	1,691
Loans and receivables	-	0
Other assets	-	59
Deferred tax assets	14,008	15,851
	202,419	**200,071**
Current assets		
Inventories	33,054	32,648
Trade receivables	77,453	84,671
Income tax assets	2,632	2,566
Other current receivables	15,922	12,532
Prepayments and accrued income	2,761	3,593
Financial assets at fair value through profit or loss	3,170	3,822
Loans and receivables	1,043	548
Cash and cash equivalents	51,004	44,268
Contract settlement	116,657	98,653
	303,696	**283,302**
ASSETS HELD FOR SALE	**721**	**721**
TOTAL ASSETS	**506,835**	**484,094**

PLN '000	Mar 31 2014	Dec 31 2013
EQUITY AND LIABILITIES		
Equity		
Share capital	3,704	3,693
Statutory reserve funds	199,708	199,708
Other components of equity	3,679	3,147
Retained earnings/(deficit)	54,113	48,178
Non-controlling interests	**5,342**	**5,442**
	266,546	**260,167**
Non-current liabilities		
Borrowings and other debt instruments	18,417	16,069
Financial liabilities	4,912	4,479
Other non-current liabilities	498	473
Deferred tax liabilities	20,504	20,850
Provision for retirement and similar benefits	3,136	3,331
Other provisions	230	822
Accruals and deferred income	4,070	4,143
	51,767	**50,166**
Current liabilities		
Borrowings and other debt instruments	22,367	18,050
Financial liabilities	4,204	4,165
Trade payables	54,283	56,473
Income tax payable	967	376
Taxes, customs duties and social security payable	5,218	5,340
Other current liabilities	9,156	7,165
Provision for retirement and similar benefits	7,203	8,291
Other provisions	17,223	16,292
Accruals and deferred income	67,901	57,608
	188,522	**173,761**
TOTAL EQUITY AND LIABILITIES	**506,835**	**484,094**

Consolidated statement of comprehensive income
(PLN '000)

PLN '000	For the period Jan 1–Mar 31 2014	For the period Jan 1–Mar 31 2013
Revenue from sale of finished goods	99,370	113,836
Revenue from sale of merchandise and materials	4,613	4,615
Revenue	**103,983**	**118,452**
Finished goods sold	-73,734	-88,482
Merchandise and materials sold	-2,826	-2,730
Cost of sales	**-76,559**	**-91,212**
Gross profit/(loss)	**27,423**	**27,240**
Other income	1,863	1,189
Distribution costs	-6,565	-5,481
Administrative expenses	-14,647	-12,936
Other expenses	-575	-827
Operating profit/(loss)	**7,500**	**9,184**
Finance income	938	1,981
Finance costs	-1,612	-1,468
Share of net profit/(loss) of associates	-135	-85
Profit/(loss) before tax	**6,691**	**9,612**
Actual tax expense	-2,540	-4,110
Net profit/(loss) from continuing operations	**4,151**	**5,502**
Loss on discontinued operations	-	-
Profit/(loss) attributable to non-controlling interests	-71	-70
Net profit/(loss) for financial year	**4,222**	**5,572**
Other comprehensive income		
Valuation of cash flow hedging derivatives	-636	-1,513
Exchange differences on translating foreign operations	2,228	7,030
Actuarial gains/(losses) on a defined benefit retirement plan	-	
Income tax on other comprehensive income	121	287
Other comprehensive income, net of tax	**1,713**	**5,804**
Total comprehensive income	**5,935**	**11,376**

Consolidated statement of cash flows (PLN '000)

	For the period Jan 1–Mar 31 2014	For the period Jan 1–Mar 31 2013
OPERATING ACTIVITIES		
Profit/(loss) before tax	**6,691**	**9,612**
Adjustments for:	**-223**	**-436**
Share in net profit of subordinates accounted for using the equity method	135	85
Depreciation and amortisation	2,114	1,711
Foreign exchange gains/(losses)	1,312	1,859
Interest and profit distributions (dividends)	-112	117
Gain/(loss) on investing activities	-681	6
Change in provisions	-1,423	7,673
Change in inventories	-1,740	-5,274
Change in receivables	-2,343	39,767
Change in current liabilities (other than financial liabilities)	2,514	-588
Change in accruals and deferrals	-2,009	-44,832
Derivatives	137	93
Other adjustments	1,873	-1,053
Cash from operating activities	**6,468**	**9,176**
Income tax (paid)/recovered	-361	-20
Net cash flows from operating activities	**6,106**	**9,156**
INVESTING ACTIVITIES		
Cash provided by investing activities	**736**	**50**
Proceeds from disposal of intangible assets and property, plant and equipment	-	14
Proceeds from disposals of financial assets	18	-
Other inflows from financial assets	717	1
Interest income	-	35
Cash used in investing activities	**5,085**	**4,588**
Investments in intangible assets, property, plant and equipment, and investment property	4,251	1,377
Non-current loans advanced	529	-
Cash paid in connection with derivative instruments	-	-
Acquisition of related entities	306	3,211
Net cash flows from investing activities	**-4,350**	**-4,538**

FINANCING ACTIVITIES		
Cash provided by financing activities	**9,995**	**3,812**
Borrowings and other debt instruments	9,983	3,330
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	12	482
Cash used in financing activities	**4,917**	**6,760**
Repayment of borrowings and other debt instruments	3,915	6,600
Payment of finance lease liabilities	84	84
Other cash used in financing activities	93	
Interest paid	825	76
Net cash flows from financing activities	**5,078**	**-2,948**
Total net cash flows	**6,834**	**1,670**
Net change in cash, including:	**6,735**	**1,902**
- effect of exchange rate fluctuations on cash held	-141	-11
Cash at beginning of the period	**44,375**	**55,586**
Cash at end of the period, including:	**51,209**	**57,256**
- restricted cash	5,506	14,281
- cash attributable to discontinued operations	-	

Consolidated statement of changes in equity (PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Foreign exchange differences	Retained earnings/(deficit)	Non-controlling interests	Total equity
Three months ended Mar 31 2013								
Equity as at Jan 1 2013	**3,652**	**189,136**	**1,580**	**0**	**168**	**54,953**	**1,153**	**250,642**
Total comprehensive income for the three months ended Mar 31 2013	-	-	-1,226	-	7,030	-	-	**5,804**
Management stock options	-	-	-	532	-	-	-	**532**
Net profit	-	-	-	-	-	5,572	-	**5,572**
Equity attributable to non-controlling interests in OOO SCT	-	-	-	-	-	-	518	**518**
Equity attributable to non-controlling interests in SECO/WARWICK Retech	-	-	-	-	-	-	2	**2**
Equity as at Mar 31 2013	**3,652**	**189,136**	**354**	**532**	**7,198**	**60,525**	**1,673**	**263,071**
Three months ended Mar 31 2014								
Equity as at Jan 1 2014	**3,692**	**199,708**	**1,324**	**3,147**	**-11,867**	**58,721**	**5,441**	**260,166**
Total comprehensive income for the three months ended Mar 31 2014	-	-	-	-	-	-	-	**-**
Capital reserve from revaluation of derivatives	-	-	-515	-	-	-	-	**-515**
Issue of shares	12	-	-	-	-	-	-	**12**
Translation of foreign operations	-	-	-	-	2,228	-	-	**2,228**
Management stock options	-	-	-	532	-	-	-	**532**
Net profit	-	-	-	-	-	4,222	-	**4,222**
Equity attributable to non-controlling interests in SW Retech	-	-	-	-	-	-	-84	**-84**
Equity attributable to non-controlling interests in SECO/WARWICK Allied	-	-	-	-	-	-	-16	**-16**
Equity as at Mar 31 2014	**3,704**	**199,708**	**809**	**3,679**	**-9,639**	**62,943**	**5,342**	**266,546**

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2014

Separate statement of financial position
(PLN '000)

PLN '000	Mar 31 2014	Dec 31 2013
ASSETS		
Non-current assets		
Property, plant and equipment	2,302	2,446
Investment property	-	-
Intangible assets	12,266	11,404
Investments in subsidiary, jointly-controlled and associated entities	189,207	188,901
Deferred tax assets	2,219	2,330
	205,994	**205,081**
Current assets		
Inventories	-	-
Trade receivables	10,866	8,725
Income tax assets	-	-
Other current receivables	1,797	1,771
Prepayments and accrued income	108	224
Financial assets	-	-
Loans and receivables	4,754	4,220
Cash and cash equivalents	12,308	10,288
Contract settlement	-	-
	29,833	**25,228**
ASSETS HELD FOR SALE	**361**	**361**
TOTAL ASSETS	**236,188**	**230,670**

PLN '000	Mar 31 2014	Dec 31 2013
EQUITY AND LIABILITIES		
Equity		
Share capital	3,704	3,693
Statutory reserve funds	171,219	171,219
Other components of equity	3,680	3,147
Retained earnings/(deficit)	24,710	17,808
	203,313	**195,867**
Non-current liabilities		
Borrowings and other debt instruments	7,364	8,162
Financial liabilities	4,332	3,981
Deferred tax liabilities	2,403	2,510
Provision for retirement and similar benefits	-	-
Accruals and deferred income	4,070	4,143
	18,170	**18,796**
Current liabilities		
Borrowings and other debt instruments	3,435	3,410
Financial liabilities	3,953	3,952
Trade payables	4,297	2,800
Other current liabilities	913	3,210
Provision for retirement and similar benefits	1,099	1,629
Other provisions	687	687
Accruals and deferred income	319	319
	14,705	**16,007**
TOTAL EQUITY AND LIABILITIES	**236,188**	**230,670**

Separate statement of comprehensive income
(PLN '000)

PLN '000	For the period Jan 1–Mar 31 2014	For the period Jan 1–Mar 31 2013
Revenue from sale of finished goods	10,292	2,677
Revenue from sale of merchandise and materials	-	-
Revenue	**10,292**	**2,677**
Finished goods sold	-10,591	-2,620
Merchandise and materials sold	-	-
Cost of sales	**-10,591**	**-,2,620**
Gross profit/(loss)	**-298**	**57**
Other income	73	150
Distribution costs	-	-
Administrative expenses	-1,008	-2,418
Other expenses	-14	-2
Operating profit/(loss)	**-1,248**	**-2,214**
Finance income	9,153	7,059
Finance costs	-544	-44
Profit/(loss) before tax	**7,360**	**4,801**
Actual tax expense	-458	-264
Net profit/(loss) from continuing operations	**6,902**	**4,538**
Discontinued operations	-	-
Loss on discontinued operations	-	-
Net profit/(loss) for financial year	**6,902**	**4,538**

Other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	-	-
Income tax on other comprehensive income	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income	**6,902**	**4,538**

Separate statement of cash flows (PLN '000)

	For the period Jan 1–Mar 31 2014	For the period Jan 1–Mar 31 2013
OPERATING ACTIVITIES		
Profit/(loss) before tax	**7,360**	**4,801**
Adjustments for:	**-11,135**	**-2,253**
Depreciation and amortisation	347	320
Foreign exchange gains/(losses)	766	271
Interest and profit distributions (dividends)	-9,071	-6,999
Gain/(loss) on investing activities	-	2
Change in provisions	-989	965
Change in inventories	-	2,705
Change in receivables	-2,167	5,047
Change in current liabilities (other than financial liabilities)	-407	-674
Change in accruals and deferrals	-109	-3,203
Derivatives		-
Other adjustments	494	-686
Cash from operating activities	**-3,775**	**2,549**
Income tax (paid)/recovered		-
Net cash flows from operating activities	**-3,775**	**2,549**
INVESTING ACTIVITIES		
Cash provided by investing activities	**9,114**	**7,045**
Proceeds from disposal of intangible assets and property, plant and equipment	-	10
Dividends and profit distributions received	9,095	7,000
Interest income	18	35
Cash used in investing activities	**1,786**	**25,944**
Investments in intangible assets, property, plant and equipment, and investment property	951	104
Acquisition of related entities	306	24,796
Loans advanced	529	1,043
Cash paid in connection with derivative instruments	-	-
Net cash flows from investing activities	**7,328**	**-18,898**
FINANCING ACTIVITIES		
Cash provided by financing activities	**12**	**309**
Net proceeds from issue of shares or other equity instruments and additional contributions to equity	12	**-**

Borrowings and other debt instruments	-	309
Cash used in financing activities	**1,593**	**450**
Repayment of borrowings and other debt instruments	1,521	380
Payment of finance lease liabilities	-	35
Interest paid	72	36
Net cash flows from financing activities	**-1,582**	**-142**
Total net cash flows	**1,971**	**-16,491**
Net change in cash, including:	**2,020**	**-16,486**
- effect of exchange rate fluctuations on cash held	6	-5
Cash at beginning of the period	**10,309**	**24,274**
Cash at end of the period, including:	**12,281**	**7,783**
- restricted cash	-	-

Separate statement of changes in equity (PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Retained earnings/(deficit)	Non-controlling interests	Total equity
				Three months ended Mar 31 2013			
Equity as at Jan 1 2013	**3,652**	**165,531**	**1,333**	**-**	**8,591**	**-**	**179,106**
Total comprehensive income for the three months ended Mar 31 2013	-	-	-1,333	-	-	-	**-1,333**
Management stock options	-	-	-	532	-	-	**532**
Distribution of profit	-	-	-	-	4,538	-	**4,538**
Equity as at Mar 31 2013	**3,652**	**165,531**	**-**	**532**	**13,128**	**-**	**182,843**
				Three months ended Mar 31 2014			
Equity as at Jan 1 2014	**3,692**	**171,219**	**-**	**3,147**	**17,808**	**-**	**195,866**
Total comprehensive income for the three months ended Mar 31 2014	-	-	-	-	-	-	**-**
Share capital increase	12	-	-	-	-	-	**12**
Management stock options	-	-	-	532	-	-	**532**
Distribution of profit	-	-	-	-	6,902	-	**6,902**
Equity as at Mar 31 2014	**3,704**	**171,219**	**-**	**3,680**	**24,710**	**-**	**203,313**

SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31ST 2014

Selected supplementary information

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

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

Item	Q1 2014	Q1 2013
Sale of finished goods	99,370	113,836
Sale of merchandise and materials	4,613	4,615
TOTAL revenue from sales	**103,983**	**118,452**
Other income	1,863	1,189
Finance income	938	1,981
TOTAL revenue and income	**106,784**	**121,622**

OPERATING SEGMENTS

IFRS 8 Operating Segments, which has superseded previously binding IAS 14 Segment Reporting, has been effective since January 1st 2009. The new standard introduces the "management approach" to segment disclosures and requires that segment information be presented based on those components of the entity that the management monitors in making decisions about operating matters. An operating segment is a component of an entity for which discrete financial information is available and whose results are reviewed regularly by the entity's chief decision maker to make decisions about resources to be allocated to the segment and assess its performance. This change in accounting standards has had no impact on the Group's segment reporting.
The SECO/WARWICK Group's business comprises the following segments:

Vacuum furnaces (Vacuum)

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces may be used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing. Use of vacuum furnaces brings economic benefits. They are also environmentally friendly.

Aluminium heat exchanger brazing systems (CAB)

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

Atmosphere furnaces (Thermal)

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

Aluminium heat treatment systems (Aluminium Process)

The SECO/WARWICK Group specialises in a selected range of aluminium heat treatment processes, which generally offer a plethora of applications. The Aluminium Process solutions offered by the Group are used in the production of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. In addition, the Aluminium Process systems are used to heat treat aluminium castings.

Melting furnaces

The metallurgy applications of the vacuum melting furnaces include alloying, melting and purifying specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Due to their physical properties, specialty metals may only be treated with the use of technologically advanced solutions under high vacuum conditions.
The different types of melting furnaces include melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines and medical implants).
Melting furnaces may also be used as an element of the globally-unique processes involving disposal of hazardous waste (such as nuclear by-products).

Revenue and net profit/loss of operating segments as at Mar 31 2014

Item	Continuing operations: Vacuum Furnaces	Continuing operations: CAB	Continuing operations: Thermal	Continuing operations: Aluminium Process	Continuing operations: Melting Furnaces	Continuing operations: Total	Discontinued operations	Unallocated items	Total
Total segment revenue	**27,327**	**9,706**	**29,074**	**7,284**	**28,309**	**101,701**	**-**	**2,282**	**103,983**
Total segment expenses	**-18,806**	**-6,786**	**-21,716**	**-5,795**	**-21,617**	**-74,721**	**-**	**-1,839**	**-76,559**
Administrative expenses	-	-	-	-	-	-	-	-14,647	**-14,647**
Distribution costs	-	-	-	-	-	-	-	-6,565	**-6,565**
Operating income	-	-	-	-	-	-	-	1,863	**1,863**
Operating expenses	-	-	-	-	-	-	-	-575	**-575**
Operating profit/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,500**
Finance income	-	-	-	-	-	-	-	938	**938**
Finance costs	-	-	-	-	-	-	-	-1,612	**-1,612**
Share in profit of associate	-	-	-	-	-	-	-	-135	**-135**
Profit/(loss) before tax	-	-	-	-	-	-	-	-	**6,691**
Actual tax expense	-	-	-	-	-	-	-	-2,540	**-2,540**
Profit/(loss) from continuing operations	-	-	-	-	-	-	-	-	**4,151**
(Profit)/loss attributable to non-controlling interests	-	-	-	-	-	-	-	71	**71**
Net profit/(loss) for period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**4,222**

Revenue and net profit/loss of operating segments as at Mar 31 2013

Item	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	*CAB*	*Thermal*	*Aluminium Process*	*Melting Furnaces*	*Total*			
Total segment revenue	**23,084**	**13,912**	**16,362**	**6,017**	**53,115**	**112,491**	**-**	**5,961**	**118,452**
Total segment expenses	**-15,798**	**-9,509**	**-13,266**	**-3,979**	**-41,673**	**-84,226**	**-**	**-6,986**	**-91,212**
Administrative expenses	-	-	-	-	-	-	-	-12,936	**-12,936**
Distribution costs	-	-	-	-	-	-	-	-5,481	**-5,481**
Operating income	-	-	-	-	-	-	-	1,189	**1,189**
Operating expenses	-	-	-	-	-	-	-	-827	**-827**
Operating profit/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,184**
Finance income	-	-	-	-	-	-	-	1,981	**1,981**
Finance costs	-	-	-	-	-	-	-	-1,468	**-1,468**
Share in profit of associate	-	-	-	-	-	-	-	-85	**-85**
Profit/(loss) before tax	-	-	-	-	-	-	-	-	**9,612**
Actual tax expense	-	-	-	-	-	-	-	-4,110	**-4,110**
Profit/(loss) from continuing operations	-	-	-	-	-	-	-	-	**5,502**
(Profit)/loss attributable to non-controlling interests	-	-	-	-	-	-	-	70	**70**
Net profit/(loss) for period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**5,572**

PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–March 31st 2013, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group was PLN 1,377 thousand.

Item	Mar 31 2014	Mar 31 2013
Tangible assets	78,115	50,726
Non-current assets under construction	4,486	3,381
Prepayments for non-current assets under construction	-	-
Property, plant and equipment	**82,601**	**54,107**

IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Mar 31 2014	Dec 31 2013	Mar 31 2013
Trade receivables	3,033	3,656	2,142
Equity interests	2,307	2,307	2,307
Loans	821	821	821
Inventories	3,347	2,672	2,210

DIVIDENDS PROPOSED OR DECLARED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

On April 29th 2014, the Management Board of SECO/WARWICK S.A. recommended that PLN 8,053,377.75 (eight million, fifty-three thousand, three hundred and seventy-seven złoty, 75/100) be distributed to shareholders as dividend. On the same day, the Supervisory Board of the Company issued a positive opinion on the Management Board's recommendation.

INVESTMENT COMMITMENTS

As at March 31st 2014, the SECO/WARWICK Group had investment commitments of PLN 394 thousand.

OFF-BALANCE SHEET CONSOLIDATED ITEMS

Changes in contingent liabilities and contingent assets which occurred after the end of the previous financial year

	As at Mar 31 2014	As at Dec 31 2012	As at Mar 31 2013
Contingent receivables	**276**	**425**	**-**
from related entities	-	-	-
from other entities (including)	276	425	-
- guarantees	276	425	-
Contingent liabilities	**60,262**	**75,534**	**45,315**
To related entities	15,910	21,317	11,289
To other entities (including)	44,351	54,216	34,026
- guarantees	44,351	54,216	34,026

SURETIES ADVANCED BY SECO/WARWICK S.A.

Company	Bank	Surety in respect of	Currency	Mar 31 2014	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	258,200	13,078
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	75,860
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500*	10,620
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800**	5,462
TOTAL					**105,020**

* The amount drawn by Retech Systems under the available credit facilities as at March 31st 2014 was USD 2,200 thousand.
** No funds were drawn by S/W Corp under the available credit facilities as at March 31st 2014.

Company	Bank	Surety in respect of	Currency	Dec 31 2013	*AMOUNT (PLN)*
S/W ALLIED Pvt. Ltd.	Union Bank of India	Guarantee and credit facility	INR	258,200	12,589
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	25,000*	75,300
RETECH Systems	HSBC BANK USA	Guarantee and credit facility	USD	3,500*	10,542
S/W Corp.	HSBC BANK USA	Guarantee and credit facility	USD	1,800**	5,422
TOTAL					**103,853**

* The amount drawn by Retech Systems under the available credit facilities as at December 31st 2013 was USD 726 thousand.
* The amount drawn by S/W Corp. under the available credit facilities as at December 31st 2013 was USD 700 thousand.

RESTRUCTURING PROVISIONS

In the period from January 1st to March 31st 2014, the SECO/WARWICK Group did not reverse any provisions for restructuring costs.

SETTLEMENTS RELATED TO COURT CASES

In the opinion of the Parent's Management Board, there are no material settlements related to court cases.

Consistency of the accounting policies and computation methods applied in the preparation of the interim report for Q1 2014

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS endorsed by the European Union. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These interim condensed separate consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34. The accounting policies and calculation methods applied in the preparation of these financial statements are consistent with those applied in the most recent annual financial statements.

Seasonality or cyclicality in the operations of SECO/WARWICK S.A. and its Group

In its operations, the SECO/WARWICK Group is not exposed to any significant seasonal or cyclical fluctuations.

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

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

Types and amounts of changes in estimates disclosed in previous interim periods of the financial year 2013 or changes in estimates disclosed in previous financial years if they have a material bearing on Q1 2014

In the business activities of SECO/WARWICK S.A. and the SECO/WARWICK Group, there were no changes in the disclosed estimates that would, due to their type or amount, have a material bearing on the results of Q1 2014.

Issue, redemption and repayment of debt and equity securities

On January 20th 2014, 57,640 (fifty-seven thousand, six hundred and forty) Series E ordinary bearer shares in the Company ("Series E Shares") were acquired, as reported by the Company in Current Report No. 2/2014.

The Series E Shares were acquired under the Incentive Scheme for management staff of the SECO/WARWICK Group for the years 2012–2016, approved by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012 ("2012–2016 Incentive Scheme"), on the basis of which the Company issued Series B subscription warrants ("Series B Warrants") entitling their holders to acquire Series E Shares.

Earnings per share

Item	Mar 31 2014	Mar 31 2013
Net profit on continuing operations attributable to shareholders	4,222	5,572
Loss on discontinued operations attributable to shareholders		
Net profit attributable to owners of the parent	4,222	5,572
Interest on redeemable preference shares convertible into ordinary shares		
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	**4,222**	**5,572**
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,725,028	10,476,210
Earnings per share	**0.39**	**0.53**
Dilutive effect:		
Number of potential subscription warrants	238,373	500,000
Number of potential shares issued at market price	2,370	2,382
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,961,031	10,973,828
Diluted earnings per share	**0.39**	**0.51**

Material events subsequent to the end of Q1 2014, not disclosed in the financial statements for Q1 2014 but potentially having a material bearing on future performance of the SECO/WARWICK Group

In the operations of SECO/WARWICK S.A. and its subsidiaries, no other material events occurred which might have a material bearing on the future performance of SECO/WARWICK S.A. or the SECO/WARWICK Group.

Other supplementary information

1. **Changes in the Group's structure, including changes resulting from mergers, acquisitions or disposals of Group entities, long-term investments, demergers, restructuring or discontinuation of operations**

   In Q1 2014, there were no other changes in the SECO/WARWICK Group's structure which would include mergers, acquisitions or disposals of Group entities, long-term investments, demergers, restructuring or discontinuation of operations.

2. Management Board's position on the feasibility of meeting any previously published forecasts for 2014 in light of the results presented in the Q1 2014 report

The SECO/WARWICK Management Board did not publish any forecasts for 2014 concerning the Company's or the Group's financial performance.

3. Shareholders holding, directly or indirectly, 5% of the total vote at the General Meeting as at the publication date of the report, including information on any changes subsequent to the release of the previous quarterly report

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the release date of the previous quarterly report, i.e. March 3rd 2014

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Poland Holding B.V. (Netherlands)	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,419,294	13.22%	1,419,294	13.22%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	7.91%	849,698	7.91%
Bleauhard Holdings LLC	743,456	6.92%	743,456	6.92%
ING NN OFE	600,000	5.59%	600,000	5.59%
AMPLICO	577,470	5.38%	577,470	5.38%

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

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the release date of the report, i.e. May 12th 2014

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Poland Holding B.V. (Netherlands)	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,419,294	13.22%	1,419,294	13.22%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	7.91%	849,698	7.91%
Bleauhard Holdings LLC	743,456	6.92%	743,456	6.92%
ING NN OFE	600,000	5.59%	600,000	5.59%
AMPLICO	577,470	5.38%	577,470	5.38%

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

4. SECO/WARWICK shares held by members of the Management Board and Supervisory Board as at the publication date of this report, including information on any changes subsequent to the publication of the Q1 2014 report

Members of the Management Board and Supervisory Board of SECO/WARWICK S.A. do not hold any shares in related entities.

The Management Board of SECO/WARWICK S.A. reported that on January 20th 2014 it received a notification under Art. 160 of the Act on Trading in Financial Instruments ("Notification") from a Management Board Member.
According to the notification, on January 20th 2014 the Management Board Member acquired – under the 2012–2016 Incentive Scheme adopted by virtue of Resolution No. 21 of the Annual General Meeting of May 28th 2012 – a total of 47,529 Series E shares in the Company, with a par value of PLN 0.20 per share, at the issue price of PLN 0.20 per share.

	Mar 3 2014				May 12 2014			
	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Decrease/increase	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Total par value of shares (PLN)
Management Board								
Paweł Wyrzykowski	145,866	1.35%	1.35%	-	145,866	1.35%	1.35%	29,173
Wojciech Modrzyk	25,958	0.24%	0.24%	-	25,958	0.24%	0.24%	5,192
Jarosław Talerzak	25,558	0.24%	0.24%	-	25,558	0.24%	0.24%	5,112
Supervisory Board								
Henryk Pilarski	100	0.0009%	0.0009%	-	100	0.0009%	0.0009%	20
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Commercial proxies								
Piotr Walasek	15,335	0.14%	0.14%	-	15,335	0.14%	0.14%	3,067
Katarzyna Kowalska	-	-	-	-	-	-	-	-
Total	222,593	2.06%	2.06%		222,593	2.06%	2.06%	44,519

Item	
Number of shares	10,737,837
Par value of shares	0.20
Share capital	PLN 2,147,567.40

5. Court, arbitration and administrative proceedings

In Q1 2014, the value of liabilities or receivables of SECO/WARWICK S.A or the Group companies disputed in any single or all pending court, arbitration or administrative proceedings did not exceed 10% of SECO/WARWICK S.A.'s equity.

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

In the period from the beginning of the financial year until the publication date of this report, SECO/WARWICK S.A. and its subsidiaries did not enter into any material transactions with related parties other than routine transactions executed on an arms' length basis.

7. Material achievements and failures of SECO/WARWICK S.A. and the Group in Q1 2014, including a list of the pertinent events

In Q1 2014, the Group recorded a year-on-year decline in sales of approximately 12%. The achieved sales were far below expectations, with the decline resulting mainly from shifts in the sales structure. The melting furnaces segment, which was the largest contributor to total sales last year, reported a 47% top-line fall. Sales of the CAB segment were also down, by 30%, with sales of the atmosphere furnaces, aluminium process and vacuum segments having climbed

78%, 21% and 18%, respectively. With the achieved performance, the atmosphere furnaces segment secured the leading position in sales, contributing 28% of the Group's total sales. In the quarter under review, the melting furnaces and vacuum furnaces segments had similar shares in the Group's total sales (27.2% and 26.3%, respectively). In Q1 2014, the strongest margins were recorded by the vacuum furnaces and CAB segments (31% and 30%, respectively).

The first quarter of the year saw a slowdown in sales, following sharp increases recorded by the Group in 2012 and H1 2013. The drop in sales reported by the SECO/WARWICK Group in Q1 2014 was largely due to a deeper than expected slowdown in the Asian and Brazilian markets. Strong sales reported by the Group's companies in Europe and the US failed to offset the reduction in orders from customers in Asia and Brazil. However, based on the PMI readings, signals from our customers, and information on planned investments, the Management Board expects the situation in China, India and Brazil to stabilise in the next few quarters.

With the marketing efforts stepped up, the Group companies were able to secure new orders with a total value of PLN 127m, including PLN 55m secured by SECO/WARWICK Europe, PLN 38m secured by Retech LLC, and PLN 17.4m secured by SECO/WARWICK Allied. As a consequence, the Group's order book increased compared with December 2013, to PLN 322m as at the end of Q1 2014.

The Management Board is not aware of any material failures at the Parent or any of its direct or indirect subsidiaries occurring in the reporting period or before the publication date of this report (May 12th 2014).

8. Sureties for bank borrowings or guarantees issued by SECO/WARWICK S.A. or its subsidiaries, jointly to one entity or its subsidiary, where the total outstanding amount of such sureties or guarantees exceeds 10% of SECO/WARWICK S.A.'s equity

In Q1 2014, there were no other events related to the provision by SECO/WARWICK S.A. or any of its subsidiaries of sureties for borrowings or of guarantees whose amount would exceed 10% of the Company's equity.

9. Other information which in the Company's opinion is material for the assessment of its personnel, assets, financial standing and financial result and their changes, or for the assessment of its ability to fulfil obligations

The work to fully integrate the Group's Indian and Brazilian operations is under way. A new Managing Director was appointed at SECO/WARWICK Allied. The next stage of the integration process will be continued implementation of the ERP systems at the subsidiaries, as well as the alignment of their organisational structures to the Group's product structure. Considering the shortage of new orders in the last six months and SECO/WARWICK Retech's poor performance, the Management Board of SWSA decided to make a change in the position of Managing Director.

Furthermore, a direct and indirect cost reduction programme, launched in February, is being implemented, and efforts are being made to identify areas for further savings.

As at the publication date of the Q1 2014 report, the Company's and the Group's operations were stable. All liabilities related to the Company's operations are settled on a timely basis.

10. Factors which in the Group's opinion will affect its results in the next quarter or in a longer term

11.1. Material events occurring in the period January 1st–March 31st 2014

In the opinion of the Company's Management Board, the following events which occurred between January 1st and March 31st 2014 will affect the Group's performance in the next quarter, or in a longer term.

On February 17th 2014, in Current Report No. 09/2014, the Management Board of SECO/WARWICK S.A. announced that Retech Systems LLC of Ukiah, SECO/WARWICK S.A.'s US subsidiary, and Carpenter Technology Corporation of the United States had entered into a contract for the construction and delivery of equipment for the production of metal powder. The contract was executed on February 14th 2014, its term runs until March 25th 2015, and its value is USD 11,500,000 (PLN 34,787,500). Under the contract, any disputes arising between the parties will be filed with the arbitration court. Arbitration proceedings will be conducted by the Delaware District Court or, if it is not the competent court for the case, by the Delaware State Court. The remaining provisions of the contract do not differ from standard terms used in agreements of such type. The total value of the contract exceeds 10% of SECO/WARWICK S.A.'s equity.

11.2. General objectives of the Incentive Scheme of SECO/WARWICK S.A.

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") will 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 ai ratio, referred to in Par. 2.11 below, will be determined along with the indication of the person. A list of Eligible Persons will 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 will include up to 500,000 (five hundred thousand) of Company Series E shares ("Series E Shares"). The President of the Management Board will be entitled to acquire up to 250,000 (two hundred and fifty thousand) Series E Shares, and the other Eligible Persons will have the right to acquire the maximum of the remaining 250,000 (two hundred and fifty thousand) Series E Shares.

3. Under the 2012–2016 Incentive Scheme, Eligible Persons will be entitled to acquire Series B subscription warrants ("Series B Warrants") free of charge. Series B Warrants will 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 will confer the right to acquire one Series E Share.

5. The 2012–2016 Incentive Scheme will be implemented by way of resolutions passed 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 Eligible Persons will depend on:

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

(ii) the selling price of shares, whether sold in one or more transactions (including as part of a tender offer), conferring the rights to at least 33% (thirty-thee per cent) of the total votes 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 votes 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 transaction, then the number of Series B Warrants to be issued to Eligible Persons will 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 will 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 will 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 his or her intention to acquire Series B Warrants. The Company will 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 will be calculated based on the following formula:

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

provided that:

$$for\ P < PLN35 \implies Q = 0$$

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

where:

Q stands for the number of Series B Warrants;

P stands for, 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 a buyer.

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

Each time the President of the Management Board exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled will 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 will be calculated based on the following formula:

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

provided that:

$$for\ P < PLN\ 35 \implies Q = 0$$
$$for\ P \geq PLN\ 65 \implies Q = a_i \times 250.000$$

where:

Q stands for the number of Series B Warrants;

P stands for, 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 a buyer.

ai is a ratio determined individually for each Eligible Person, provided that:

$$a_i \in (0.1)\ and\ \sum_{i=1}^{n} a_i \leq 1$$

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

Each time an Eligible Person exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled will 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 each Eligible Person will 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) ai × 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 will be entitled to acquire Series E Shares at any time, however, no later than by December 31st 2016.

As at the publication date of this report (May 12th 2014), 261,627 Series E Company shares had been acquired under the 2012–2016 Incentive Scheme for management personnel of the SECO/WARWICK Group, approved by virtue of Resolution No. 21 of the Annual General Meeting held on May 28th 2012.

11. Description of factors and events, especially of a non-recurring nature, with a material bearing on the financial performance in Q1 2014

In the SECO/WARWICK Group's operations, there were no factors or events, especially of a non-recurring nature, that would have a material bearing on its financial performance in Q1 2014.