



## **THE SECO/WARWICK GROUP**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR  
THE PERIOD JANUARY 1ST–MARCH 31ST 2016  
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**



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INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD  
JANUARY 1ST–MARCH 31ST 2016

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(PLN '000)

	Mar 31 2016	Dec 31 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	104,327	106,302
Investment property	376	379
Goodwill	38,796	40,195
Intangible assets	22,122	22,078
Investments in associates	1,506	1,484
Non-current receivables	2,098	1,336
Other financial assets	7,846	8,056
Deferred tax assets	337	2,506
	<b>177,409</b>	<b>182,335</b>
<b>Current assets</b>		
Inventories	36,917	34,730
Trade receivables	84,888	85,460
Income tax assets	5,452	7,459
Other current receivables	35,110	23,645
Prepayments and accrued income	2,959	3,969
Other financial assets	1,953	928
Contract settlement	108,310	97,969
Cash and cash equivalents	41,667	58,054
	<b>317,256</b>	<b>312,213</b>
<b>TOTAL ASSETS</b>	<b>494,665</b>	<b>494,548</b>



	Mar 31 2016	Dec 31 2015
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	3,704	3,704
Statutory reserve funds	190,271	190,271
Other components of equity	24,363	24,231
Hedging reserve	841	-1,891
Retained earnings/(deficit)	-40,592	-40,735
<b>Non-controlling interests</b>	<b>429</b>	<b>450</b>
	<b>179,016</b>	<b>176,030</b>
<b>Non-current liabilities</b>		
Borrowings and other debt instruments	33,557	36,102
Financial liabilities	1,029	3,107
Other non-current liabilities	466	177
Deferred tax liabilities	10,596	9,823
Provision for retirement and similar benefits	5,952	6,277
Other provisions	705	699
Deferred income	10,300	10,627
	<b>62,605</b>	<b>66,810</b>
<b>Current liabilities</b>		
Borrowings and other debt instruments	29,507	33,218
Financial liabilities	2,400	4,038
Trade payables	54,911	53,899
Income tax payable	41	417
Taxes, customs duties and social security payable	5,869	7,631
Other current liabilities	5,776	6,900
Provision for retirement and similar benefits	11,237	11,890
Other provisions	7,738	9,363
Deferred income	581	581
Contract settlement	134,985	123,773
	<b>253,044</b>	<b>251,708</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>494,665</b>	<b>494,548</b>

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

	For the period Jan 1–Mar 31 2016	For the period Jan 1–Mar 31 2015
Revenue from sale of finished goods	132,844	105,670
Revenue from sale of merchandise and materials	3,061	5,137
<b>Revenue</b>	<b>135,905</b>	<b>110,807</b>
Finished goods sold	-108,322	-77,944
Merchandise and materials sold	-1,957	-2,827
<b>Cost of sales</b>	<b>-110,279</b>	<b>-80,770</b>
<b>Gross profit/(loss)</b>	<b>25,626</b>	<b>30,036</b>
Other income	1,939	950
Distribution costs	-7,999	-7,575
Administrative expenses	-13,469	-15,214
Other expenses	-1,379	-1,027
<b>Operating profit/(loss)</b>	<b>4,719</b>	<b>7,171</b>
Finance income	1,440	2,710
Finance costs	-1,775	-1,814
Share of net profit/(loss) of associates	-52	-80
<b>Profit/(loss) before tax</b>	<b>4,332</b>	<b>7,986</b>
Actual tax expense	-1,768	-2,763
Net profit/(loss) from continuing operations	2,564	5,223
Loss from discontinued operations	-	-
Net profit/(loss)	2,564	5,223
<b>Net profit/(loss) attributable to</b>		
Owners of the Parent	<b>2,528</b>	<b>5,323</b>
Non-controlling interests	36	-100
<b>EARNINGS PER SHARE:</b>		
Basic	0.24	0.50
Diluted	0.24	0.50
<b>OTHER COMPREHENSIVE INCOME:</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains/(losses) on a defined benefit retirement plan	-	-
Income tax on other comprehensive income	-	-
<b>Items that may be reclassified to profit or loss:</b>		
Valuation of cash flow hedging derivatives	3,373	-1,595
Exchange differences on translating foreign operations	-2,442	11,565
Reclassification adjustments (increase in control of a subsidiary)	-	-
Income tax on other comprehensive income	-641	303
<b>Total other comprehensive income, net</b>	<b>290</b>	<b>10,273</b>



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<b>Total comprehensive income</b>	<b>2,854</b>	<b>15,497</b>
<hr/>		
<b>Total comprehensive income attributable to</b>		
Owners of the Parent	2,874	15,360
Non-controlling interests	-20	137
<hr/>		

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

	For the period Jan 1–Mar 31 2016	For the period Jan 1–Mar 31 2015
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	4,332	7,986
Total adjustments:	-12,395	1,362
Share of net profit of associates	9	80
Depreciation and amortisation	2,976	2,254
Foreign exchange gains/(losses)	113	1,689
Interest and profit distributions (dividends)	755	976
Gain/(loss) on investing activities	-103	-465
Balance-sheet valuation of derivative instruments	-1,213	-3,538
Change in provisions	-1,339	1,986
Change in inventories	-1,969	-2,373
Change in receivables	-13,312	-9,963
Change in current liabilities (other than financial liabilities)	1,349	3,218
Change in accruals, deferrals and contracts	-78	8,081
Other adjustments	418	-584
<b>Cash from operating activities</b>	<b>-8,062</b>	<b>9,348</b>
Income tax (paid)/recovered	824	-874
<b>Net cash flows from operating activities</b>	<b>-7,239</b>	<b>8,474</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>649</b>	<b>75</b>
Proceeds from disposal of intangible assets and property, plant and equipment	218	63
Proceeds from disposals of financial assets	-	12
Other inflows from financial assets	430	-
<b>Cash used in investing activities</b>	<b>2,958</b>	<b>3,995</b>
Investments in intangible assets, property, plant and equipment, and investment property	2,958	3,598
Acquisition of related entities	-	-
Acquisition of financial assets	-	-
Other financial assets	-	398
Cash paid in connection with derivative instruments	-	-
<b>Net cash flows from investing activities</b>	<b>-2,310</b>	<b>-3,921</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>6,179</b>	<b>34,887</b>
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity	-	-
Borrowings and other debt instruments	6,179	34,887
Other cash provided by financing activities	-	-
<b>Cash used in investing activities</b>	<b>12,559</b>	<b>29,443</b>
Acquisition of own shares	-	26,845





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Dividends and other distributions to owners	-	-
Repayment of borrowings and other debt instruments	11,383	1,598
Payment of finance lease liabilities	206	53
Interest paid	970	947
<b>Net cash flows from financing activities</b>	<b>-6,380</b>	<b>5,444</b>
<b>Total net cash flows</b>	<b>-15,929</b>	<b>9,997</b>
<b>Net change in cash, including:</b>	<b>-18,618</b>	<b>10,491</b>
- effect of exchange rate fluctuations on cash held	-166	-164
<b>Cash at beginning of the period</b>	<b>57,758</b>	<b>46,679</b>
<b>Cash at end of the period</b>	<b>41,830</b>	<b>56,677</b>



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

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings/(deficit)	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
<b>Equity as at Jan 1 2015</b>	<b>3,704</b>	<b>174,617</b>	<b>-255</b>	<b>46,733</b>	<b>9,893</b>	<b>12,238</b>	<b>246,929</b>	<b>2,376</b>	<b>249,305</b>
Correction of previous years' errors	-	-	-	-	-	-	-	-	-
<b>Equity as at Jan 1 2015</b>	<b>3,704</b>	<b>174,617</b>	<b>-255</b>	<b>46,733</b>	<b>9,893</b>	<b>12,238</b>	<b>246,929</b>	<b>2,376</b>	<b>249,305</b>
Profit/(loss) for the period	-	-	-	-	-	5,323	-15,323	-100	5,223
Other comprehensive income	-	-	-1,292	-	11,328	-	10,036	237	10,273
Total comprehensive income for the year	-	-	-1,292	-	11,328	5,323	15,360	137	15,497
Issue of shares	-	-	-	-	-	-	-	-	-
Management stock options	-	-	-	459	-	-	459	-	459
Dividend paid	-	-	-	-	-	-	-	-	-
Transfer of 2014 earnings	-	-	-	-	-	-	-	-	-
Share buyback	-	-	-	-26,845	-	-	-26,845	-	-26,845
<b>Equity as at Mar 31 2015</b>	<b>3,704</b>	<b>174,617</b>	<b>-1,547</b>	<b>20,347</b>	<b>21,221</b>	<b>17,561</b>	<b>235,903</b>	<b>2,513</b>	<b>238,416</b>
<b>Equity as at Jan 1 2016</b>	<b>3,704</b>	<b>190,271</b>	<b>-1,891</b>	<b>24,231</b>	<b>21,388</b>	<b>-62,123</b>	<b>175,580</b>	<b>450</b>	<b>176,030</b>
Correction of previous years' errors	-	-	-	-	-	-	-	-	-
<b>Equity as at Jan 1 2016</b>	<b>3,704</b>	<b>190,271</b>	<b>-1,891</b>	<b>24,231</b>	<b>21,388</b>	<b>-62,123</b>	<b>175,580</b>	<b>450</b>	<b>176,030</b>
Profit/(loss) for the period	-	-	-	-	-	2,528	2,528	36	2,564
Other comprehensive income	-	-	2,732	-	-2,386	-	346	-56	290
Total comprehensive income for the year	-	-	2,732	-	-2,386	2,528	2,874	-20	2,854
Issue of shares	-	-	-	-	-	-	-	-	-
Management stock options	-	-	-	132	-	-	132	-	132
Dividend paid	-	-	-	-	-	-	-	-	-
Transfer of 2015 earnings	-	-	-	-	-	-	-	-	-
Share buyback	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
<b>Equity as at Mar 31 2016</b>	<b>3,704</b>	<b>190,271</b>	<b>841</b>	<b>24,363</b>	<b>19,002</b>	<b>-59,594</b>	<b>178,587</b>	<b>429</b>	<b>179,016</b>



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

	Mar 31 2016	Dec 31 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,630	1,789
Intangible assets	10,449	10,686
Investments in subsidiary, jointly-controlled and associated entities	123,604	113,759
	<b>135,684</b>	<b>126,235</b>
<b>Current assets</b>		
Trade receivables	3,575	5,487
Other current receivables	208	11,113
Prepayments and accrued income	191	171
Other financial assets	5,356	4,529
Cash and cash equivalents	5,927	7,569
	<b>15,257</b>	<b>28,868</b>
<b>ASSETS HELD FOR SALE</b>	-	-
<b>TOTAL ASSETS</b>	<b>150,941</b>	<b>155,103</b>

	Mar 31 2016	Dec 31 2015
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	3,704	3,704
Statutory reserve funds	126,900	126,900
Capital reserves	15,705	15,705
Other components of equity	8,658	8,525
Retained earnings/(deficit)	-43,350	-41,895
	<b>111,618</b>	<b>112,940</b>
<b>Non-current liabilities</b>		
Borrowings and other debt instruments	21,907	24,215
Financial liabilities	204	204
Deferred tax liabilities	423	409
Deferred income	3,732	3,818
	<b>26,265</b>	<b>28,645</b>
<b>Current liabilities</b>		
Borrowings and other debt instruments	8,696	8,785
Financial liabilities	233	270
Trade payables	401	583
Other current liabilities	1,093	870
Income tax payable	-	374
Provision for retirement and similar benefits	1,492	1,492
Other provisions	800	800
Deferred income	344	345
	<b>13,058</b>	<b>13,519</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>150,941</b>	<b>155,103</b>

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

<b>CONTINUING OPERATIONS</b>	<b>For the period Jan 1–Mar 31 2016</b>	<b>For the period Jan 1–Mar 31 2015</b>
Revenue from sale of finished goods	2,452	2,712
Revenue from sale of merchandise and materials	-	-
<b>Revenue</b>	<b>2,452</b>	<b>2,712</b>
Finished goods sold	-2,053	-1,857
Merchandise and materials sold	-	-
<b>Cost of sales</b>	<b>-2,053</b>	<b>-1,857</b>
<b>Gross profit/(loss)</b>	<b>399</b>	<b>855</b>
Other income	99	63
Distribution costs	-	-
Administrative expenses	-1,293	-1,556
Other expenses	-0,8	-3
<b>Operating profit/(loss)</b>	<b>-796</b>	<b>-641</b>
Finance income	49	127
Finance costs	-693	-210
<b>Profit/(loss) before tax</b>	<b>-1,440</b>	<b>-724</b>
Actual tax expense	14	-383
<b>Net profit/(loss) from continuing operations</b>	<b>-1,454</b>	<b>-1,107</b>
<b>DISCONTINUED OPERATIONS</b>		
Loss from discontinued operations	-	-
<b>Net profit/(loss) for financial year</b>	<b>-1,454</b>	<b>-1,107</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Cash flow hedges	-	-
Income tax on other comprehensive income	-	-
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>-1,454</b>	<b>-1,107</b>
Earnings/(loss) per share (PLN):		
- basic and diluted from net profit/(loss)	-0.14	-0.10

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

	For the period Jan 1–Mar 31 2016	For the period Jan 1–Mar 31 2015
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	-1,440	-724
Total adjustments:	3,808	-2,075
Depreciation and amortisation	363	302
Foreign exchange gains/(losses)	-186	885
Interest and profit distributions (dividends)	214	11
Gain/(loss) on investing activities	-3	-
Change in provisions	-	-
Change in inventories	-	-
Change in receivables	3,353	-2,127
Change in current liabilities (other than financial liabilities)	41	-1,546
Change in accruals and deferrals	-106	-60
Other adjustments	132	459
<b>Cash from operating activities</b>	<b>2,368</b>	<b>-2,800</b>
Income tax (paid)/recovered	-374	-
<b>Net cash flows from operating activities</b>	<b>1,994</b>	<b>-2,800</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>9,622</b>	<b>12</b>
Proceeds from disposal of intangible assets and property, plant and equipment	125	-
Dividends and profit distributions received	9,497	12
Decrease in loans advanced	-	-
Other inflows from financial assets	-	-
<b>Cash used in investing activities</b>	<b>10,822</b>	<b>271</b>
Investments in intangible assets, property, plant and equipment, and investment property	90	271
Acquisition of related entities	9,845	-
Increase in loans advanced	887	-
<b>Net cash flows from investing activities</b>	<b>-1,200</b>	<b>-259</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>-</b>	<b>26,845</b>
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity	-	-
Borrowings and other debt instruments	-	26,845
<b>Cash used in investing activities</b>	<b>2,519</b>	<b>27,974</b>
Acquisition of own shares	-	26,845
Dividends and other distributions to owners	-	-
Repayment of borrowings and other debt instruments	2,230	1,061



Payment of finance lease liabilities	37	19
Interest paid	252	49
<b>Net cash flows from financing activities</b>	<b>-2,519</b>	<b>-1,129</b>
<hr/>		
<b>Total net cash flows</b>	<b>-1,726</b>	<b>-4,188</b>
<b>Net change in cash, including:</b>	<b>-1,642</b>	<b>-4,140</b>
- effect of exchange rate fluctuations on cash held	84	47
<b>Cash at beginning of the period</b>	<b>7,565</b>	<b>9,515</b>
<b>Cash at end of the period</b>	<b>5,840</b>	<b>5,328</b>



# THE SECO/WARWICK GROUP

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for the period January 1st–March 31st 2016

## SEPARATE STATEMENT OF CHANGES IN EQUITY (PLN '000)

	Share capital	Statutory reserve funds	Capital reserves	Hedging reserve	Other components of equity	Retained earnings/(deficit)	Total equity
<b>As at Jan 1 2015</b>	<b>3,704</b>	<b>136,322</b>	<b>41,750</b>	-	<b>4,983</b>	<b>-6,520</b>	<b>180,239</b>
Profit/(loss) for the period	-	-	-	-	-	-1,107	-1,107
Comprehensive income for the period	-	-	-	-	-	-1,107	<b>-1,107</b>
Share buyback	-	-	-26,845	-	-	-	-26,845
Management stock options	-	-	-	-	459	-	459
<b>As at Mar 31 2015</b>	<b>3,704</b>	<b>136,322</b>	<b>14,905</b>	-	<b>5,442</b>	<b>-7,627</b>	<b>152,747</b>
<b>As at Jan 1 2016</b>	<b>3,704</b>	<b>126,900</b>	<b>15,705</b>	-	<b>8,525</b>	<b>-41,895</b>	<b>112,940</b>
Profit/(loss) for the period	-	-	-	-	-	-1,454	-1,454
Comprehensive income for the period	-	-	-	-	-	-1,454	<b>-1,454</b>
Management stock options	-	-	-	-	132	-	459
<b>As at Mar 31 2016</b>	<b>3,704</b>	<b>126,900</b>	<b>15,705</b>	-	<b>8,658</b>	<b>-43,350</b>	<b>111,618</b>





**SUPPLEMENTARY INFORMATION  
TO THE INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31ST 2016**

## I. General information

### 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 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
- equipment used for melting and vacuum casting of metals and specialty alloys (Melting).

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

- SECO/WARWICK EUROPE Sp. z o.o.,
- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,
- SECO/WARWICK GmbH,
- SECO/WARWICK Germany GmbH,
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India,
- SECO/WARWICK do Brasil Ind. de Fornos Ltda.,
- SECO/WARWICK France,
- SECO/WARWICK Services Sp. z o.o.

The Group has one associate company:

- 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.

Other Group companies are:

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

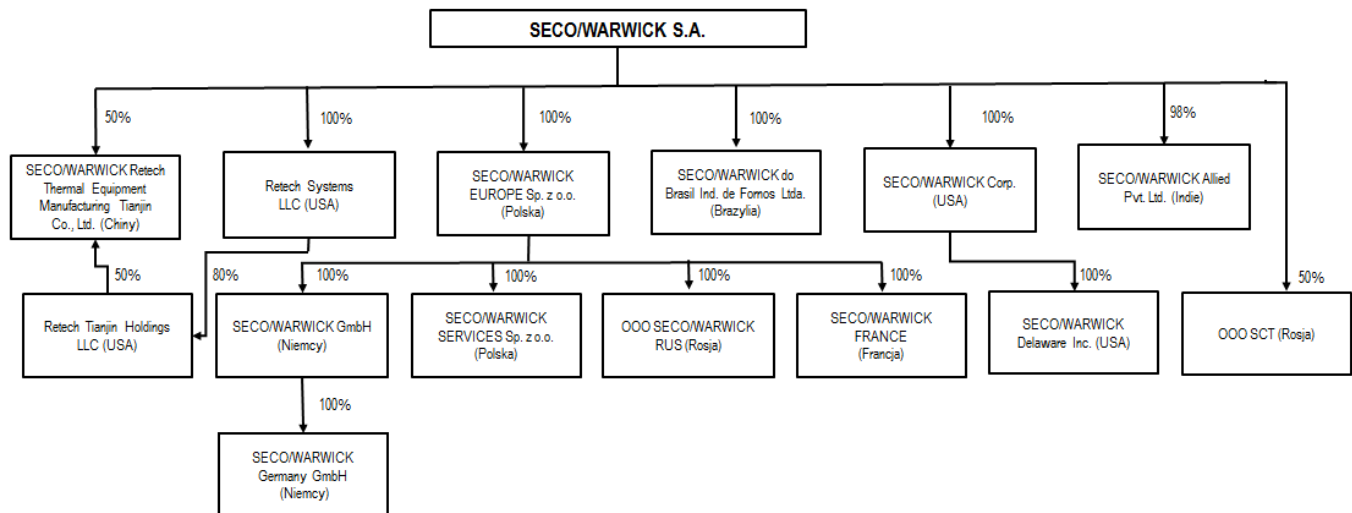
Details of the companies listed above are provided in the table below.

**Table: Structure of the SECO/WARWICK Group as at March 31st 2016:**

Company	Registered office	Business profile	Method of consolidation / accounting for equity interest	Group's ownership interest
<b>Parent</b>				
SECO/WARWICK S.A.	Świebodzin	Holding company of the SECO/WARWICK Group. Holding equity interests and providing strategic management services	N.A.	N.A.
<b>Direct and indirect subsidiaries</b>				
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)	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)	A holding company	Full	80%
SECO/WARWICK Allied Pvt. Ltd.	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	98%
SECO/WARWICK GmbH	Bedburg-Hau (Germany)	Intermediation in the sale of furnaces and spare parts manufactured by 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 Germany 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%
SECO/WARWICK France	Roissy-en-Brie (France)	Commercial and technical representation of SECO/WARWICK Europe in France, French-speaking countries and their neighbouring countries	Full	100%

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

After March 31st 2016 and until the publication of this Report, there were no changes in the composition of the SECO/WARWICK Group.

**Organisation of the Group:**

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

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

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

The accounting policies and calculation methods applied in the preparation of these financial statements are consistent with those applied in the most recent full-year financial statements.

**Material judgements and estimates**

Critical judgements made by the Management Board in applying the Company's accounting policies and key sources of estimation uncertainty are the same in these interim condensed consolidated financial statements as those presented in Section VII of the 2015 Consolidated Financial Statements.

**Changes in accounting policies**

The Group intends to adopt amendments to IFRS issued but not yet effective as at the date of issue of these interim condensed consolidated financial statements, as of their effective date. The impacts of these amendments and new standards on the Group's future consolidated financial statements are discussed in Section IX of the 2015 Consolidated 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 2016	Dec 31 2015	Mar 31 2015
Average exchange rate for the period*	4.3559	-	4.1489
Exchange rate effective for the last day of the period	4.2684	4.2615	-

\*) arithmetic mean 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

Key consolidated financial data	Q1 YTD Jan 1–Mar 31			
	2016	2015	2016	2015
	PLN '000		(EUR '000)	
Revenue	135,905	110,807	31,200	26,708
Cost of sales	-110,279	-80,770	-25,317	-19,468
Operating profit/(loss)	4,719	7,171	1,083	1,728
Profit/(loss) before tax	4,332	7,986	995	1,925
Net profit/(loss)	2,528	5,323	580	1,283
Net cash flows from operating activities	-7,239	8,474	-1,662	2,042
Net cash flows from investing activities	-2,310	-3,921	-530	-945
Net cash flows from financing activities	-6,380	5,444	-1,465	1,312
	<b>Mar 31 2016</b>	<b>Dec 31 2015</b>	<b>Mar 31 2016</b>	<b>Dec 31 2015</b>
Total assets	494,665	494,548	115,890	116,050
Total liabilities	315,649	318,519	73,950	74,743
including current liabilities	253,044	251,708	59,283	59,066
Equity	179,016	176,030	41,940	41,307
Share capital	3,704	3,704	868	869

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

Separate financial highlights	Q1 YTD Jan 1–Mar 31			
	2016	2015	2016	2015
	PLN '000		(EUR '000)	
Revenue	2,452	2,712	563	654
Cost of sales	-2,053	-1,857	-471	-448
Operating profit/(loss)	-796	-641	-183	-154
Profit/(loss) before tax	-1,440	-724	-331	-175
Net profit/(loss)	-1,454	-1,107	-334	-267
Net cash flows from operating activities	1,994	-2,800	458	-675
Net cash flows from investing activities	-1,200	-259	-276	-62
Net cash flows from financing activities	-2,519	-1,129	-578	-272
	<b>Mar 31 2016</b>	<b>Dec 31 2015</b>	<b>Mar 31 2016</b>	<b>Dec 31 2015</b>
Total assets	150,941	155,103	35,362	36,396
Total liabilities	39,324	42,164	9,213	9,894
including current liabilities	13,058	13,519	3,059	3,172
Equity	111,618	112,940	26,150	26,502
Share capital	3,704	3,704	868	869



**NOTES TO THE INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31ST 2016**

**Selected supplementary information**

As provided for under IAS 18, revenue from sale 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.

**Sales revenue and total revenue and income of the Group:**

<b>Item</b>	<b>Q1 2016</b>	<b>Q1 2015</b>
Sale of finished goods	132,844	105,670
Sales of merchandise and materials	3,061	5,137
<b>TOTAL sales revenue</b>	<b>135,905</b>	<b>110,807</b>
Other income	1,939	950
Finance income	1,440	2,710
<b>TOTAL revenue and income</b>	<b>139,285</b>	<b>114,467</b>





# THE SECO/WARWICK GROUP

Consolidated financial statements  
for the period January 1st–March 31st 2016

## OPERATING SEGMENTS for the period Jan 1–Mar 31 2015

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Melting Furnaces	Thermal	CAB	Aluminium Process	Aftersales	Total			
<b>Total segment revenue</b>	<b>23,901</b>	<b>23,099</b>	<b>22,203</b>	<b>15,063</b>	<b>4,591</b>	<b>20,762</b>	<b>109,620</b>	-	<b>1,187</b>	<b>110,807</b>
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	<b>-18,172</b>	<b>-16,797</b>	<b>-18,152</b>	<b>-10,907</b>	<b>-3,542</b>	<b>-13,034</b>	<b>-80,604</b>	-	<b>-166</b>	<b>-80,770</b>
Distribution costs	-	-	-	-	-	-	-	-	-7,575	-7,575
Administrative expenses	-	-	-	-	-	-	-	-	-15,214	-15,214
Operating income	-	-	-	-	-	-	-	-	950	950
Operating expenses	-	-	-	-	-	-	-	-	-1,027	-1,027
<b>Segment profit/(loss) on operating activities</b>	-	-	-	-	-	-	-	-	7,171	7,171
Finance income	-	-	-	-	-	-	-	-	2,710	2,710
Finance costs	-	-	-	-	-	-	-	-	-1,814	-1,814
Share in profit of associate	-	-	-	-	-	-	-	-	-80	-80
<b>Profit before tax</b>	-	-	-	-	-	-	-	-	7,986	7,986
Actual tax expense	-	-	-	-	-	-	-	-	-2,763	-2,763
<b>Profit/(loss) from continuing operations</b>	-	-	-	-	-	-	-	-	5,223	5,223
Loss of control	-	-	-	-	-	-	-	-	-	-
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-	-	-	-	-100	-100
<b>Net profit/(loss) for period</b>	-	-	-	-	-	-	-	-	5,323	5,323



# THE SECO/WARWICK GROUP

Consolidated financial statements  
for the period January 1st–March 31st 2016

## OPERATING SEGMENTS for the period Jan 1–Mar 31 2016

Item	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Melting Furnaces	Thermal	CAB	Aluminium Process	Aftersales	Total			
<b>Total segment revenue</b>	27,266	51,530	7,893	4,322	21,435	21,791	134,237	-	1,668	135,905
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	-20,937	-44,251	-6,895	-3,942	-17,322	-13,174	-106,522	-	-3,757	-110,279
Distribution costs	-	-	-	-	-	-	-	-	-7,999	-7,999
Administrative expenses	-	-	-	-	-	-	-	-	-13,469	-13,469
Operating income	-	-	-	-	-	-	-	-	1,939	1,939
Operating expenses	-	-	-	-	-	-	-	-	-1,379	-1,379
<b>Segment profit/(loss) on operating activities</b>	-	-	-	-	-	-	-	-	4,719	4,719
Finance income	-	-	-	-	-	-	-	-	1,440	1,440
Finance costs	-	-	-	-	-	-	-	-	-1,775	-1,775
Share in profit of associate	-	-	-	-	-	-	-	-	-52	-52
<b>Profit before tax</b>	-	-	-	-	-	-	-	-	4,332	4,332
Actual tax expense	-	-	-	-	-	-	-	-	-1,768	-1,768
<b>Profit/(loss) from continuing operations</b>	-	-	-	-	-	-	-	-	2,564	2,564
Loss of control	-	-	-	-	-	-	-	-	-	-
Profit/(loss) attributable to non-controlling interests	-	-	-	-	-	-	-	-	36	36
<b>Net profit/(loss) for period</b>	-	-	-	-	-	-	-	-	2,528	2,528

**OTHER INCOME AND EXPENSES**

<b>OTHER INCOME</b>	<b>Jan 1 2016 - Mar 31 2016</b>	<b>Jan 1 2015 - Mar 31 2015</b>
Reversal of impairment losses on receivables	-	7
Reversal of provisions	859	18
Gain on disposal of property, plant and equipment	3	3
Penalties and compensation/damages received	143	33
Income from re-invoicing	16	28
Income from lease of tangible assets and investment property	442	485
Grant for development work	86	-
Other	391	376
<b>Total other income</b>	<b>1,939</b>	<b>950</b>

<b>OTHER EXPENSES</b>	<b>Jan 1 2016 - Mar 31 2016</b>	<b>Jan 1 2015 - Mar 31 2015</b>
Impairment losses on receivables	586	301
Loss on disposal of property, plant and equipment	12	47
Court expenses, compensation/damages, penalties	19	288
Cost of discontinued production	339	42
Donations	44	4
Provision for compensation claims	0.66	140
Other	377	205
<b>Total other expenses</b>	<b>1,379</b>	<b>1 027</b>

**FINANCE INCOME AND COSTS**

<b>FINANCE INCOME</b>	<b>Jan 1 2016 - Mar 31 2016</b>	<b>Jan 1 2015 - Mar 31 2015</b>
Interest income	226	202
Dividend received	-	13
Gain on derivative instruments at maturity	-	1,394
Net foreign exchange gains	1,214	959
Other	-	143
<b>Total finance income</b>	<b>1,440</b>	<b>2,710</b>

<b>FINANCE COSTS</b>	<b>Jan 1 2016 - Mar 31 2016</b>	<b>Jan 1 2015 - Mar 31 2015</b>
Interest paid	1,225	1,266
Loss on derivative instruments at maturity	458	392
Other	92	157
<b>Total finance costs</b>	<b>1,775</b>	<b>1,814</b>

**PROPERTY, PLANT AND EQUIPMENT**

In the period January 1st–March 31st 2016, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 2,958 thousand.

Item	Mar 31 2016	Mar 31 2015
Tangible assets	104,327	89,747
Tangible assets under construction	9,021	5,399
<b>Property, plant and equipment</b>	<b>113,348</b>	<b>95,146</b>

**IMPAIRMENT LOSSES ON ASSETS**

Impairment losses	Mar 31 2016	Dec 31 2015	Mar 31 2015
Trade receivables	19,158	18,733	8,475
Non-current assets	858	858	-
Inventories	2,366	2,366	2,665
Equity interests	31,429	31,429	25,565
<b>Total impairment losses</b>	<b>53,810</b>	<b>53,385</b>	<b>36,705</b>

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

On April 28th 2016, the Supervisory Board issued a positive opinion on the Management Board's recommendation concerning payment to the shareholders of dividend for 2015 in a total amount of PLN 3,005,776.74 (three million, five thousand, seven hundred and seventy-six zloty, 74/100). The dividend per share would thus be PLN 0.31, but the General Meeting may resolve to adjust the amount taking into consideration the treasury shares held by the Company as at the date of a resolution to pay dividend. The dividend record date and the dividend payment date shall be July 4th 2016 and July 18th 2016, respectively. The Supervisory Board requested the General Meeting to adopt a relevant resolution.

**CAPITAL COMMITMENTS**

As at March 31st 2016, the SECO/WARWICK Group had capital commitments related to property, plant and equipment of PLN 104 thousand. The funds were allocated for the purchase of new plant and equipment.

**PRESENTATION ADJUSTMENTS**

No presentation adjustments were made in these financial statements.

**OFF-BALANCE SHEET CONSOLIDATED ITEMS**
**Contingent liabilities**

Contingent liabilities under guarantees and sureties issued amounted to PLN 57,310.80 thousand as at March 31st 2016, and to PLN 75,507 thousand as at the end of 2015. The guarantees were issued in respect of:

- APG → advance payment guarantee
- BB → bid bond
- CRG → credit repayment guarantee
- PBG → performance bond guarantee
- SBLC → stand-by letter of credit
- WAD → bid bond guarantee
- CRB → credit repayment bond

## RESTRUCTURING PROVISIONS

In the period from January 1st to December 31st 2016, the SECO/WARWICK Group did not recognise any provisions for restructuring costs.

## SETTLEMENTS RELATED TO COURT CASES

Seco/Warwick Corporation (SWC), a subsidiary of the Issuer, with its registered office in Pennsylvania, USA, along with a third party not associated with the Issuer ("Third Party"), are parties to a court dispute with Liberty Mutual Insurance (LMI), in which they claim from LMI additional insurance limits for continued product liability insurance coverage under insurance policies issued to the Third Party in 1980-1986. SWC and the Third Party are seeking coverage for the claims being raised against SWC and the Third Party in connection with product liability personal injury lawsuits filed by individuals alleging injury from asbestos as a result of their exposure to the Third Party's products manufactured by legal predecessors of SWC and the Third Party in 1958-1984 (the Asbestos Claims). SWC was not established until 1984, and was not a part of the Issuer's Group until 2006.

For detailed information, see Note 41 to the consolidated financial statements for the period ended December 31st 2015. By the date of issue of these financial statements, the Company had not received any additional information on the matter.

## Consistency of the accounting policies and computation methods applied in the preparation of the interim report for Q1 2016

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the European Union, and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (consolidated text: Dz.U. of 2014, item 133) (the "Regulation").

## Seasonality and cyclicity of business

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

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

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

## Types and amounts of changes in estimates disclosed in previous interim periods of the financial year 2016 or changes in estimates disclosed in previous financial years if they have a material bearing on Q1 2016.

In the business of SECO/WARWICK S.A. and the SECO/WARWICK Group, there were no changes in estimates disclosed in the preceding interim periods of 2016 and the preceding financial years that would, due to their type or amount, have a material bearing on the Company's or the Group's results for Q1 2016.

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

No such events occurred.

## Earnings per share

Item	Mar 31 2016	Mar 31 2015
Net profit/(loss) from continuing operations attributable to shareholders	2,528	5,323
Loss from discontinued operations attributable to shareholders	-	-
Net profit/(loss) attributable to owners of the parent	2,528	5,323
Interest on redeemable preference shares convertible into ordinary shares	-	-
<b>Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share</b>	<b>2,528</b>	<b>5,323</b>

Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,734,679	10,734,679
<b>Earnings per share</b>	<b>0.24</b>	<b>0.50</b>
Dilutive effect:		
Number of potential subscription warrants	-	-
Number of potential shares issued at market price	-	-
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	10,734,679	10,734,679
<b>Diluted earnings per share</b>	<b>0.24</b>	<b>0.50</b>

**Material events subsequent to the end of Q1 2016, not disclosed in the financial statements for Q1 2016 but potentially having a material bearing on future performance of the SECO/WARWICK Group**

No such events occurred.

**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**

On March 31st 2016, in Current Report No. 6/2016, the Management Board of SECO/WARWICK S.A. announced that on March 30th 2016 the Company acquired 1,550,000 shares in SECO/WARWICK Allied Private Limited of Maharashtra, India, for INR 155,000,000 (PLN 8,767,265 translated at the mid-exchange rate quoted by the National Bank of Poland for March 30th 2016) in connection with a share capital increase and new share issue carried out by SWAPL. Following the acquisition of the 1,550,000 shares, the Company will hold a total of 1,632,014 shares, representing 98.4% of the SWAPL's share capital and carrying 98.4% of total voting rights at its General Meeting.

In Q1 2016, 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 2016 in light of the results presented in the Q1 2016 report**

The SECO/WARWICK Management Board did not publish any forecasts for 2016 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 date of issue of this report, including information on any changes subsequent to the issue of the previous interim report (2015 full-year report).**

**Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the issue date of the previous report, i.e. April 28th 2016.**

Shareholder	Number of shares	Ownership interest %	Number of votes	% of total vote at General Meeting
SW Holding	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.46%	1,123,337	10.46%
SECO/WARWICK S.A.*	1,041,783	9.70%	1,041,783	9.70%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Bleauhard Holdings LLC	637,028	5.93%	637,028	5.93%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.59%	600,000	5.59%
Metlife OFE	577,470	5.38%	577,470	5.38%

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

\* Treasury shares; the Company does not exercise voting rights in respect of its treasury shares.

**Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the date of issue of this report, i.e. May 16th 2016.**

Shareholder	Number of shares	Ownership interest %	Number of votes	% of total vote at General Meeting
SW Holding	3,387,139	31.54%	3,387,139	31.54%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.46%	1,123,337	10.46%
SECO/WARWICK S.A.*	1,041,783	9.70%	1,041,783	9.70%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	904,794	8.43%	904,794	8.43%
Bleauhard Holdings LLC	637,028	5.93%	637,028	5.93%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.59%	600,000	5.59%
Metlife OFE	577,470	5.38%	577,470	5.38%

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

\* Treasury shares; the Company does not exercise voting rights in respect of its treasury shares.

From the date of issue of the 2015 full-year report, that is April 28th 2016, to the date of issue of the Q1 2016 report, there were no changes in large holdings of Company shares.

**4. SECO/WARWICK S.A. shares held by members of the Management Board and Supervisory Board as at the date of issue of this report, including information on any changes subsequent to the issue date of the previous interim report (2015 full-year report).**

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

	Apr 28 2016			Decrease/increase	May 16 2016			Total par value of shares (PLN)
	Number of S/W shares held	Ownership interest	% of total vote		Number of S/W shares held	Ownership interest	% of total vote	
<b>Management Board</b>								
Pawel Wyrzykowski	254,558	2.37%	2.37%	-	254,558	2.37%	2.37%	50,912
Jaroslaw Talerzak	29,558	0.28%	0.28%	-	29,558	0.28%	0.28%	5,912
Wojciech Peret	-	-	-	-	-	-	-	-
<b>Supervisory Board</b>								
Andrzej Zawistowski	65,000	0.61%	0.61%	-	65,000	0.61%	0.61%	13,000
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Henryk Pilarski	10	0.0001%	0.0001%	-	10	0.0001%	0.0001%	2
Witold Klinowski	-	-	-	-	-	-	-	-
James A. Goltz	-	-	-	-	-	-	-	-
Marcin Murawski	-	-	-	-	-	-	-	-
Dr Gutmann Habig	-	-	-	-	-	-	-	-
<b>Commercial proxies</b>								
Piotr Walasek	19,335	0.18%	0.18%	-	19,335	0.18%	0.18%	3,867
Katarzyna Kowalska	-	-	-	-	-	-	-	-
<b>Total</b>	<b>378,237</b>	<b>3.52%</b>	<b>3.52%</b>	<b>-</b>	<b>378,237</b>	<b>3.52%</b>	<b>3.52%</b>	<b>75,647</b>

Item	
Number of shares	10,737,837
Par value of shares	0.2
Share capital	2,147,567.40

In the reporting period, members of SECO/WARWICK S.A.'s Management and Supervisory Boards did not enter into any transactions that would involve their holdings of Company shares.

#### 5. Court, arbitration and administrative proceedings

Seco/Warwick Corporation (SWC), a subsidiary of the Issuer, with its registered office in Pennsylvania, USA, along with a third party not associated with the Issuer ("Third Party"), are parties to a court dispute with Liberty Mutual Insurance (LMI), in which they claim from LMI additional insurance limits for continued product liability insurance coverage under insurance policies issued to the Third Party in 1980-1986. SWC and the Third Party are seeking coverage for the claims being raised against SWC and the Third Party in connection with product liability personal injury lawsuits filed by individuals alleging injury from asbestos as a result of their exposure to the Third Party's products manufactured by legal predecessors of SWC and the Third Party in 1958-1984 (the Asbestos Claims). SWC was not established until 1984, and was not a part of the Issuer's Group until 2006.

For detailed information, see Note 41 to the consolidated financial statements for the period ended December 31st 2015. Until the issue of these financial statements, the Company has received no additional information on the matter.

#### 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 to the date of issue of this report (May 16th 2016), SECO/WARWICK S.A. and its subsidiaries did not enter into any material related-party transactions 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 2016.

In Q1 2016, sales rose 23% on Q1 2015, to PLN 135.9m. The largest increases were recorded in the Melting Furnaces segment (up 123%, especially at SECO/WARWICK Europe companies), Vacuum Furnaces segment (up 14%), as well as spare parts and after-sales services segment (up 5%). In other segments, sales fell – by 3% in the Aluminium Process segment, by 6% in the CAB segment and by 48% in the Atmosphere Furnaces segment.

In Q1 2016, Group companies won orders for a total amount of PLN 144.4m (more than 32% of which were new orders in the Melting Furnaces segment and 21% in the Vacuum Furnaces segment), compared with PLN 254m worth of new orders obtained in Q1 2015.

On its Q1 2016 sales, the Group recorded a lower average gross margin (18.9%) compared with Q1 2015 (27.3%), owing particularly to margin drops recorded for the Atmosphere Furnaces, CAB and Melting Furnaces segments. The decrease was partly offset by margin increases in the Aluminium Process segment as well as in the spare part and after-sales service segment. Distribution costs and administrative expenses went down by 6% (PLN 21.5m in Q1 2016 compared with PLN 22.8m a year earlier).

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 until the publication date of this Report, i.e. May 16th 2016.

#### 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 2016, neither SECO/WARWICK S.A. nor any of its subsidiaries provided any sureties for bank borrowings, loans or guarantees exceeding 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 changes therein, or for the assessment of its ability to fulfil obligations**

No events occurred in the SECO/WARWICK Group's business which in the Company's opinion are material for the assessment of its personnel, assets, financial standing and financial result or changes therein, or for the assessment of the Group's ability to fulfil its obligations

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

**10. Factors which in the Group's opinion will affect its results in the next quarter or in a longer term****General objectives of the Incentive Scheme of SECO/WARWICK S.A.**

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 April 23rd 2015 the Supervisory Board approved the key objectives of the 2016–2018 Incentive Scheme for members of the SECO/WARWICK Group's management staff (the "2016–2018 Incentive Scheme").

- The Incentive Scheme is effective for 2016, 2017 and 2018,
- and covers 995,750 Company shares which may be distributed to Eligible Persons.
- Scheme Participants include key members of the Group's management staff who are identified as Scheme Participants in the relevant resolution of the Supervisory Board, and in the period between February 1st 2015 and August 15th 2015 acquire with their own funds, in their own name and for their own account no less than 4,000 and no more than 11,500 Company shares. In the case of the President of the Management Board of SECO/WARWICK SA, the number of shares to be acquired is 100,000. In the case of the President of the Management Board of SECOWARWICK Europe, the largest company of the Group, the number of shares to be acquired is 35,000. The price per share is PLN 25.
- The number of acquired shares and the 3.5 multiple defines the number of potential options which may be granted under the Scheme subject to fulfilment of the conditions specified below.
- Shares for a participant's own account must be acquired no later than on August 15th 2015,
- and may not be sold before June 30th 2022.
- The persons specified in the Supervisory Board's resolution are to declare their intention to participate in the Incentive Scheme by August 31st 2015.
- Participants of the scheme will be assigned individual objectives and a joint objective, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme.
- Achievement of individual objectives is a pre-condition for acquiring rights to 15% of the options in each of the years 2016, 2017 and 2018.
- Achievement of the joint objective is a pre-condition for acquiring rights to 55% of the options in 2016, 2017 and 2018.
- Achievement of the Individual Objectives will be revised on the basis of the Company's audited financial information.
- Achievement of the Individual Objectives will be verified by the Audit Committee by April 30th of each consecutive financial year for the previous financial year.
- Achievement of the Joint Objective will be verified on the basis of the Company's audited financial information for all the financial years between 2016 and 2018.
- Achievement of the Joint Objective will be verified by the Audit Committee by April 30th 2019.
- If a Scheme Participant achieves the Individual Objectives or the Joint Objective, such participant will become eligible to acquire Company Shares in the number and on the terms and conditions specified in the Scheme Rules, and to obtain a Capital Bonus (the "Option").
- Options will vest in accordance with the provisions of agreements to be entered into between the Company and the individual Scheme Participants (the "Option Agreement").
- Rights under Options may not be transferred or encumbered. Such rights are attached to a Scheme Participant and expire upon his/her death.
- An Option entitles a Scheme Participant to purchase Shares at nominal price, in the number specified in the Option Agreement.
- An Option also entitles a Scheme Participant to receive from the Company annual payments whose amount will depend on the amount of dividend paid by the Company for a preceding financial year (the "Capital Bonus").
- The Capital Bonus for a given financial year will be calculated by July 31st of a given financial year, on the basis of a resolution on distribution of the Company's profit and the Company's audited financial information for the previous financial year, based on the following formula:

$$PK_t = \frac{Div_t}{LA} \times LAUP$$

where:

PKt	–	the Capital Bonus to be paid in a given financial year,
Divt	–	the amount of dividend to be paid in a given financial year,
LA	–	the total number of Company shares participating in dividend payment,
LAUP–		the number of Company shares that a Scheme Participant is entitled to acquire in the exercise of an Option; Shares already delivered to a Scheme Participant are not taken into account in this calculation;

- The right to obtain the Capital Bonus expires on or before the last Distribution Date.
- Date of settlement of the acquisition by a Scheme Participant of Company Shares in the exercise of an Option (Distribution Date)
  - in the case of Scheme Participants other than the President of the Management Board, the Distribution Date will be: June 30th 2020 – in respect of 33% of Shares receivable by a Scheme Participant, June 30th 2021 – in respect of another 33% of Shares receivable by a Scheme Participant, and June 30th 2022 – in respect of the remaining 33% of Shares receivable by a Scheme Participant;
  - in the case of the Management Board President, the Distribution Date will be August 31st 2019 in respect of all Shares receivable by him.

The Supervisory Board determined the Individual Objectives and the Joint Objective for the Incentive Scheme Participants, the achievement of which is a precondition for a Scheme Participant to become eligible for benefits under the Scheme for the financial year 2016. The Objectives cover financial and operating ratios of the individual subsidiaries, the organisational units related to particular technologies, or the entire Group, depending on the position of a Scheme Participant. For the entire Group, the Individual Objective for the President of the Management Board, Chief Financial Officer and Chief Operating Officer at SECO/WARWICK S.A., the Parent, is the consolidated net profit of the Group. For 2016, the Objective is set at PLN 18m. The Supervisory Board also granted its consent to SECO/WARWICK S.A.'s (Parent's) Chief Operating Officer's participation in the Incentive Scheme and purchase, by May 31st 2016, of Company shares for PLN 17.90 per share.

#### **11. Factors and events, especially of a non-recurring nature, with a material bearing on the financial performance in Q1 2016**

In the SECO/WARWICK Group's business there were no factors or events, especially of a non-recurring nature, that would have a material bearing on its financial performance in Q1 2016.