



THE SECO/WARWICK GROUP

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2016**

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I. General information

1. Parent

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.

Name:	SECO/WARWICK S.A.
Legal form:	Joint-stock company (spółka akcyjna)
Registered offices:	ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Principal business activity according to the Polish Classification of Business Activities (PKD):	
	28,21,Z Manufacture of ovens, furnaces and furnace burners,
	33,20,Z Installation of industrial machinery and equipment,
	28,29,Z Manufacture of other general-purpose machinery n.e.c.,
	28,24,Z Manufacture of power-driven hand tools,
	28,99,Z Manufacture of other special-purpose machinery n.e.c.,
	28,94,Z Manufacture of machinery for textile, apparel and leather production,
	46,14,Z Agents involved in the sale of machinery, industrial equipment, ships and aircraft,
	46,19,Z Agents involved in the sale of a variety of goods,
	71,12,Z Engineering activities and related technical consultancy,
	72,11,Z Research and experimental development on biotechnology.
National Court Register (KRS) No.:	KRS 0000271014
Industry Identification Number (REGON)	970011679

2. Duration of the Group

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

3. Presented periods

These interim condensed consolidated financial statements cover the period from January 1st to June 30th 2016. Presentation of comparative data:

- comparative data pertaining to the interim consolidated statement of financial position is presented as at December 31st 2015,
- comparative data pertaining to the interim consolidated statement of comprehensive income and the interim consolidated statement of cash flows is presented for the period January 1st–June 30th 2015,

- comparative data pertaining to the interim consolidated statement of changes in equity is presented for the periods January 1st–June 30th 2015 and January 1st–December 31st 2015.

The Group's interim financial results may not be indicative of its potential full-year financial results.

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

As at the date of issue of these financial statements, June 30th 2016 and December 31st 2015, the composition of the SECO/WARWICK Management Board was as follows:

- Paweł Wyrzykowski – President of the Management Board
- Jarosław Talerzak – Vice President of the Management Board
- Wojciech Peret – Member of the Management Board

As at the date of issue of these financial statements and June 30th 2016 the composition of the SECO/WARWICK Supervisory Board was as follows:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- James A. Goltz – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Paweł Tamborski – Member of the Supervisory Board

As at December 31st 2015, the composition of the SECO/WARWICK Supervisory Board was as follows:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- James A. Goltz – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Gutmann Habig – Member of the Supervisory Board
- Witold Klinowski – Member of the Supervisory Board

Changes in the composition of the Supervisory Board:

On June 24th 2016, the Annual General Meeting of SECO/WARWICK S.A. removed Mr Gutmann Habig from his position as Member of the Supervisory Board by Resolution No. 28, with effect from June 24th 2016, and appointed Mr Paweł Tamborski as Member of the Supervisory Board by Resolution No. 39, effective as of June 24th 2016. Also, on June 24th 2016 Mr Witold Klinowski tendered his resignation as member of the Supervisory Board, with effect from June 24th 2016. For details, see Current Report No. 22/2016.

5. Auditors

Ernst & Young Audyt Polska Sp. z o.o. Sp. K.
Rondo ONZ 1
00-124 Warsaw, Poland

6. Significant shareholders of the Parent

The table below lists the shareholders holding over 5% of the total vote at the General Meeting as at June 30th 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⁾	1,037,783	9.66%	1,037,783	9.66%
Aviva Otworthy 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 Otworthy 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.

⁽¹⁾ treasury shares; the Company does not exercise voting rights in respect of its treasury shares

7. Subsidiaries

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

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

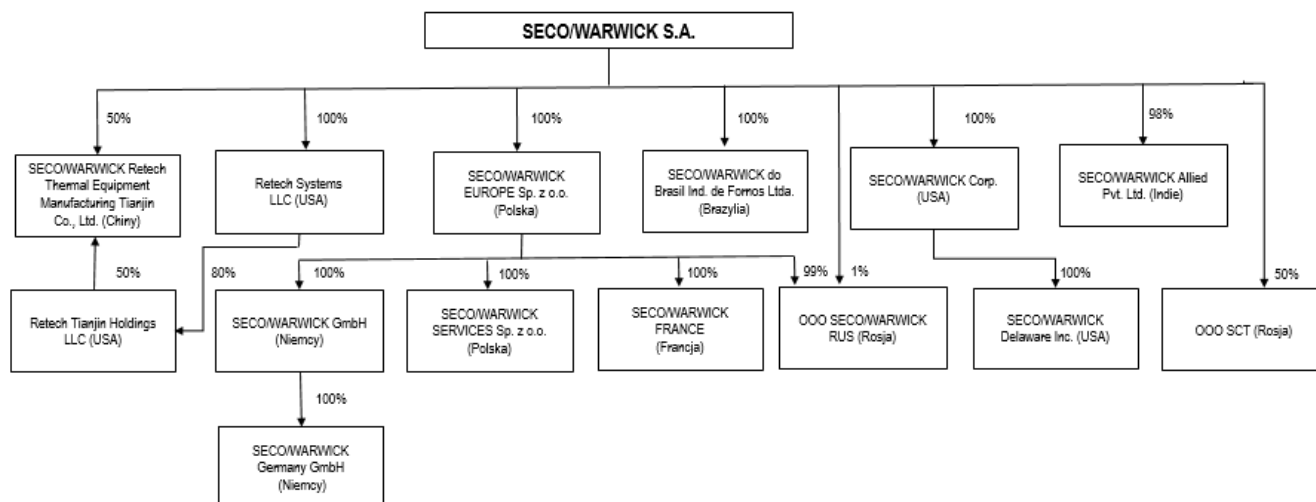
SECO/WARWICK of Delaware Inc and Retech Tianjin Holdings LLC are not consolidated as they are immaterial to the Group.

In the six month ended June 30th 2016, no changes occurred in the Group's composition relative to December 31st 2015.

8. 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.

9. Organisation of the Group (including the associate):



II. Key financial data translated into the euro

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

Reporting period	Jun 30 2016	Dec 31 2015	Jun 30 2015
Average exchange rate for the period*	4.3805	-	4.1341
Exchange rate effective for the last day of the period	4.4255	4.2615	-

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

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

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

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

Key consolidated financial data	H1 cumulatively Jan 1–Jun 30			
	2016	2015	2016	2015
	(PLN '000)		(EUR '000)	
Revenue	285,490	233,353	65,173	56,446
Cost of sales	-224,104	-174,299	-51,159	-42,161
Operating profit/(loss)	18,242	13,576	4,164	3,284
Profit/(loss) before tax	11,103	11,095	2,535	2,684



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

Net profit (loss) attributable to owners of the parent	5,193	8,163	1,186	1,975
Net cash flows from operating activities	-14,608	41,816	-3,335	10,115
Net cash flows from investing activities	-5,357	-10,795	-1,223	-2,611
Net cash flows from financing activities	-5,126	-3,039	-1,170	-735
	Jun 30 2016	Dec 31 2015	Jun 30 2016	Dec 31 2015
Total assets	495,954	494,548	112,067	116,050
Total liabilities	307,103	318,519	69,394	74,743
including current liabilities	241,908	251,708	54,662	59,066
Equity	179,550	176,030	40,572	41,307
Share capital	3,704	3,704	837	869

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

Separate financial highlights	H1 cumulatively Jan 1–Jun 30			
	2016	2015	2016	2015
	(PLN '000)		(EUR '000)	
Revenue	5,556	5,978	1,268	1,446
Cost of sales	-4,690	-5,416	-1,071	-1,310
Operating profit/(loss)	-1,011	-5,362	-231	-1,297
Profit/(loss) before tax	12,824	11,453	2,927	2,770
Net profit/(loss)	12,666	11,187	2,892	2,706
Net cash flows from operating activities	3,843	-4,388	877	-1,061
Net cash flows from investing activities	6,423	9,185	1,466	2,222
Net cash flows from financing activities	-8,012	-2,164	-1,829	-523
	Jun 30 2016	Dec 31 2015	Jun 30 2016	Dec 31 2015
Total assets	162,562	155,103	36,733	36,396
Total liabilities	39,591	42,164	8,946	9,894
including current liabilities	15,304	13,519	3,458	3,172
Equity	122,970	112,940	27,787	26,502
Share capital	3,704	3,704	837	869

III. Statement of compliance

In compliance with the requirements laid down in the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (consolidated text: Dz.U. of 2014, item 133, with the amendments published in Dz.U. of 2016, No. 0, item 860), the Management Board of the Parent represents that to the best of its knowledge these interim condensed consolidated financial statements and the relevant comparative data have been prepared in compliance with the accounting standards applicable to the Group, and give a true, fair and clear view of the assets, financial position and profit or loss of the Group, and the half-year report on the Group's operations includes a fair review of the development and performance of the business and the position of the Group, and a description of the principal risks and uncertainties.

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, with the amendments published in Dz.U. of 2016, No. 0, item 860) (the "Regulation").

The Management Board represents that the entity qualified to audit financial statements that reviewed these half-year condensed consolidated financial statements and the half-year condensed separate financial statements was appointed in compliance with the applicable laws, and that both the auditing firm and the qualified auditors who performed the review met the conditions required to issue an impartial and independent review report, in accordance with the applicable regulations and professional standards. In line with the corporate governance principles adopted by the Management Board, the auditor was appointed by the Company's Supervisory Board (Resolution No. 12/2016 on appointment of the auditor). The Supervisory Board appointed the auditor with due regard for the impartiality and objectivity of the selection itself as well as of the performance of the auditor's tasks.

IV. Authorisation for issue

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on September 9th 2016.

Date: September 9th 2016

Paweł Wyrzykowski

Jarosław Talerzak

Wojciech Peret

President of the Management Board

Vice President of the Management Board

Member of the Management Board



THE SECO/WARWICK GROUP

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2016**

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

	Note	For the period Jan 1–Jun 30 2016 (unaudited)	For the period Jan 1–Jun 30 2015 (unaudited, restated)
Revenue from sale of finished goods		280,402	219,534
Revenue from sale of merchandise and materials		5,088	13,819
Revenue	1	285,490	233,353
Finished goods sold		-220,443	-163,495
Merchandise and materials sold		-3,661	-10,804
Cost of sales		-224,104	-174,299
Gross profit/(loss)		61,386	59,054
Other income	4	3,655	2,574
Distribution costs		-16,426	-16,172
Administrative expenses		-28,701	-29,309
Other expenses	4	-1,672	-2,571
Operating profit/(loss)		18,242	13,576
Finance income	5	428	745
Finance costs	5	-7,507	-3,074
Share of net profit/(loss) of associates		-60	-152
Profit/(loss) before tax		11,103	11,095
Actual tax expense		-4,132	-3,837
Net profit/(loss) from continuing operations		6,971	7,258
Profit/(loss) from discontinued operations	6	-1,822	604
Net profit/(loss)		5,149	7,862
Net profit/(loss) attributable to:			
owners of the Parent		5,193	8,163
non-controlling interests		-45	-300
EARNINGS PER SHARE:			
	7		
- basic earnings/(loss) per share attributable to owners of the parent		0.48	0.76
- diluted earnings/(loss) per share attributable to owners of the parent		0.48	0.76
- basic earnings/(loss) per share from profit on continuing operations, attributable to owners of the parent		0.65	0.68
- diluted earnings/(loss) per share from profit on continuing operations, attributable to owners of the parent		0.65	0.68



OTHER COMPREHENSIVE INCOME:

Items that will not be reclassified to profit or loss:

Actuarial gains/(losses) on a defined benefit retirement plan	-	1,193
Income tax on other comprehensive income	-	-417

Items that may be reclassified to profit or loss:

Valuation of cash flow hedging derivatives	17	-438	-1,678
Exchange differences on translating foreign operations		840	9,546
Income tax on other comprehensive income		83	319
Total other comprehensive income, net		485	8,962
Total comprehensive income		5,634	16,825

Total comprehensive income attributable to

owners of the Parent	5,218	16,976
non-controlling interests	416	-151

Date: September 9th 2016

*Person responsible for the
accounting records:*

Ryszard Rej

Paweł Wyrzykowski

President of the Management Board

Jarosław Talerzak

*Vice President of the
Management Board*

Wojciech Peret

*Member of the
Management Board*



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

	Note	Jun 30 2016 (unaudited)	Dec 31 2015 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	107,430	106,302
Investment property		374	379
Goodwill	13	41,042	40,195
Intangible assets	9	19,764	22,078
Investments in associates		1,678	1,484
Non-current receivables		1,262	1,336
Other financial assets	16,17	7,945	8,056
Deferred tax assets		274	2,506
		179,770	182,335
Current assets			
Inventories	11	37,464	34,730
Trade receivables		83,992	85,460
Income tax assets		5,530	7,459
Other current receivables	18	36,846	23,645
Cash and cash equivalents		31,147	58,054
Other financial assets	16,17	712	928
Other non-financial assets		3,602	3,969
Contract settlement	14	108,281	97,969
		307,573	312,213
NON-CURRENT ASSETS HELD FOR SALE	6	8,611	-
TOTAL ASSETS		495,954	494,548

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

	Note	Jun 30 2016 (unaudited)	Dec 31 2015 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		3,704	3,704
Statutory reserve funds		182,429	190,271
Other components of equity		8,925	24,231
Hedging reserve		-2,246	-1,891
Retained earnings/ accumulated loss		-12,979	-40,735
Accumulated other comprehensive income from discontinued operations		-356	-
Equity attributable to owners of the parent		179,477	175,580
Non-controlling interests		73	450
		179,550	176,030
Non-current liabilities			
Borrowings and other debt instruments		31,751	36,102
Other financial liabilities		2,295	3,107
Deferred tax liabilities		12,753	9,823
Provision for retirement and similar benefits		6,374	6,277
Other provisions		222	699
Deferred income		11,623	10,627
Other non-current liabilities		177	177
		65,196	66,810
Current liabilities			
Borrowings and other debt instruments		34,293	33,218
Other financial liabilities		7,076	4,038
Trade payables		56,022	53,899
Income tax payable		51	417
Taxes, customs duties and social security payable		5,883	7,631
Other current liabilities	19	9,090	6,900
Provision for retirement and similar benefits		9,080	11,890
Other provisions		8,192	9,363
Deferred income		1,109	581
Contract settlement	14	111,113	123,773
		241,908	251,708
Liabilities directly related to non-current assets classified as held for sale	6	9,301	-
TOTAL EQUITY AND LIABILITIES		495,954	494,548

Date: September 9th 2016

Person responsible for
the accounting records:

Paweł Wyrzykowski

Jarosław Talerzak

Wojciech Peret

Ryszard Rej

President of the Management Board

Vice President of the Management Board

Member of the Management Board

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

	For the period Jan 1–Jun 30 2016 (unaudited)	For the period Jan 1–Jun 30 2015 (unaudited, restated)
OPERATING ACTIVITIES		
Profit/(loss) before tax from continuing operations	11,103	11,095
Profit/(loss) before tax from discontinued operations	-1,822	604
Profit/(loss) before tax	9,281	11,699
Total adjustments:	-25,098	32,814
Share of net profit of associates	9	152
Depreciation and amortisation	5,509	4,535
Foreign exchange gains/(losses)	339	431
Interest and profit distributions (dividends)	2,054	1,586
Gain/(loss) on investing activities	-123	-7
Balance-sheet valuation of derivative instruments	-2,438	-63
Change in provisions	-2,685	-749
Change in inventories	-2,386	-221
Change in receivables	-5,277	6,695
Change in current liabilities (other than financial liabilities)	327	-23,317
Change in accruals, deferrals and contracts	-23,050	41,672
Other adjustments	2,622	2,102
Income tax (paid)/refunded	1,210	-2,697
Net cash flows from operating activities	-14,608	41,816
INVESTING ACTIVITIES		
Cash provided by investing activities	797	945
Proceeds from disposal of intangible assets and property, plant and equipment	253	184
Proceeds from disposals of financial assets	0	-
Other inflows from financial assets	544	761
Cash used in investing activities	6,154	11,740
Investments in intangible assets, property, plant and equipment, and investment property	6,154	6,662
Acquisition of related entities	-	4,444
Cash paid in connection with derivative instruments	-	634
Net cash flows from investing activities	-5,357	-10,795
FINANCING ACTIVITIES		
Cash provided by investing activities	14,255	30,417
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity	71	-
Borrowings and other debt instruments	14,183	30,417
Other cash provided by financing activities	-	-

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Cash used in investing activities	19,380	33,455
Acquisition of own shares	-	26,845
Dividends and other distributions to owners	3,007	-
Repayment of borrowings and other debt instruments	13,686	4,450
Payment of finance lease liabilities	696	639
Interest paid	1,992	1,522
Net cash flows from financing activities	-5,126	-3,039
Total net cash	-25,090	27,982
Net change in cash, including:	-29,630	28,459
- effect of exchange rate fluctuations on cash held	-55	478
Cash at beginning of period	58,050	46,679
Cash at end of period	32,960	74,661

Date: September 9th 2016

*Person responsible for the
accounting records:**Ryszard Rej*

Paweł Wyrzykowski

President of the Management Board

Jarosław Talerzak

*Vice President of the
Management Board*

Wojciech Peret

*Member of the
Management Board*



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings/ accumulated loss	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
Equity as at Jan 1 2016	3,704	190,271	-1,891	24,231	21,388	-62,123	175,580	450	176,030
Correction of previous years' errors	-	-	-	-	-	-	-	-	-
Equity as at Jan 1 2016	3,704	190,271	-1,891	24,231	21,388	-62,123	175,580	450	176,030
Profit/(loss) for the period	-	-	-	-	-	5,193	5,193	-45	5,149
Other comprehensive income	-	-	-355	-	380	-	25	461	485
Total comprehensive income for the year	-	-	-355	-	380	5,193	5,218	416	5,634
Dividend	-	-	-	-	-	-3,007	-3,007	-	-3,007
Management stock options	-	-	-	300	-	-	300	-	300
Transfer of previous years' profit/loss to statutory reserve funds	-	-23,519	-	-	-	23,519	-	-	-
Transfer of capital reserve to statutory reserve funds	-	15,705	-	-15,705	-	-	-	-	-
Sale of shares	-	-29	-	100	-	-	71	-	71
Accounting for increase of control at SWA	-	-	-	-	-	1,314	1,314	-793	521
Equity as at Jun 30 2016 (unaudited)	3,704	182,429	-2,246	8,925	21,768	-35,103	179,477	73	179,550
Equity as at Jan 1 2015	3,704	174,617	-255	46,733	9,893	12,238	246,929	2,376	249,305
Correction of previous years' errors	-	-	-	3,133	-740	-9,814	-7,421	-28	-7,450
Equity as at Jan 1 2015	3,704	174,617	-255	49,866	9,153	2,424	239,507	2,348	241,855
Profit/(loss) for the period	-	-	-	-	-	8,163	8,163	-300	7,862
Other comprehensive income	-	-	-1,359	-	9,396	776	8,813	149	8,962
Total comprehensive income for the year	-	-	-1,359	-	9,396	8,938	16,976	-151	16,825
Management stock options	-	-	-	1,065	-	-	1,065	-	1,065
Transfer of 2014 earnings	-	15,662	-	-	-	-15,662	-	-	-
Share buyback	-	-	-	-26,845	-	-	-26,845	-	-26,845
Equity as at Jun 30 2015 (unaudited)	3,704	190,279	-1,615	24,086	18,549	-4,300	230,703	2,197	232,900



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings/accumulated loss	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
Equity as at Jan 1 2015	3,704	174,617	-255	46,733	9,893	12,238	246,929	2,376	249,305
Correction of previous years' errors	-	-	-	3,133	-740	-9,814	-7,421	-28	-7,450
Equity as at Jan 1 2015	3,704	174,617	-255	49,866	9,153	2,424	239,507	2,348	241,855
Profit/(loss) for the period	-	-	-	-	-	-49,675	-49,675	-2,045	-51,720
Other comprehensive income	-	-	-1,635	-	12,235	783	11,383	147	11,530
Total comprehensive income for the year	-	-	-1,635	-	12,235	-48,892	-38,292	-1,898	-40,190
Management stock options	-	-	-	409	-	-	409	-	409
Transfer of retained earnings/deficit to statutory reserve funds	-	15,654	-	-	-	-15,654	-	-	-
Share buyback	-	-	-	-26,045	-	-	-26,045	-	-26,045
Equity as at Dec 31 2015 (audited)	3,704	190,271	-1,891	24,231	21,388	-62,123	175,580	450	176,030

Date: September 9th 2016

Person responsible for
keeping the accounting records:
Ryszard Rej

Paweł Wyrzykowski

President of the Management Board

Jarosław Talerzak

Vice President of the Management Board

Wojciech Peret

Member of the Management Board



THE SECO/WARWICK GROUP

**SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30TH 2016**

I. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (consolidated text: Dz.U. of 2014, item 133, with the amendments published in Dz.U. of 2016, No. 0, item 860) (the "Regulation").

These interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2015, which were authorised for issue on April 28th 2016.

II. Going concern assumption and comparability of accounts

These interim condensed consolidated financial statements have been prepared on the assumption that the Group would continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. June 30th 2016. As at the date of signing these financial statements, the Parent's Management Board was aware of no facts or circumstances that would involve a threat to the Group's continuing as a going concern in the 12 months after the end of the reporting period, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

As at the date of preparation of the interim condensed consolidated financial statements for H1 2016, no events occurred which should have been but were not disclosed in the accounting records for the reporting period. In these financial statements no material events related to prior years are disclosed.

III. Basis of consolidation

In the six month ended June 30th 2016, no changes occurred in the Group's composition relative to December 31st 2015. The rules of consolidation did not change either.

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

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

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

The accounting policies and calculation methods applied to prepare these financial statements are consistent with those applied to prepare the most recent full-year financial statements, except for the following new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2016.

Amendments to IFRS introduced as part of the Annual Improvements to IFRS 2010–2012 Cycle:

➤ *Amendments to IFRS 2 Share-based Payments*

The amendments apply prospectively and clarify the definitions of the 'market condition' and 'vesting condition', while adding definitions of the 'service condition' and 'performance condition', both of which are vesting conditions.

As the Group does not operate any share-based payment plans, the application of these amendments had no effect on its financial position or performance.

➤ *Amendments to IFRS 3 Business Combinations*

The amendments apply prospectively and clarify that any contingent consideration which is not classified as a component of equity should be measured at fair value through profit or loss, irrespective of whether it falls within the scope of IAS 39.

The application of these amendments had no effect on the financial position or performance of the Group.

➤ Amendments to IFRS 8 *Operating Segments*

The amendments apply retrospectively and clarify that:

- An entity should disclose the judgements made by the management in applying the aggregation criteria to operating segments as described in paragraph 12 of IFRS 8, and should include a short description of the segments that were aggregated and a description of the segments' economic characteristics which were taken into account when analysing similarity between the segments,
- Reconciliation of the segments' assets to the entity's total assets is required only if such amounts are provided to the chief operating decision maker.

The entity applied the amendment, and the disclosures under IFRS 8 are presented in Note 2.

➤ Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendments apply retrospectively and clarify that an asset may be revalued by reference to observable market data by adjusting the asset's gross carrying amount to its market value or by changing the gross carrying amount of the asset proportionately, so that the carrying amount of the asset after revaluation equals its market value. In addition, accumulated depreciation/amortisation is calculated as the difference between the gross and the net carrying amount of an asset.

The amendments apply to the valuation of property, plant and equipment and intangible assets under the revaluation model. The Group does not apply this model of valuation.

➤ Amendments to IFRS 13 *Fair Value Measurement*

The amendments clarify that removing paragraph B5.4.12 of IFRS 9 *Financial Instruments: Recognition and Measurement* was not intended to change the guidance related to the measurement of short-term receivables and payables. As a result, entities may still measure short-term receivables and payables with no stated interest rate at invoice amounts if the effect of discounting does not have a material bearing on the presented financial data.

The application of these amendments had no effect on the financial position or performance of the Group.

➤ Amendments to IAS 24 *Related-Party Disclosures*

The amendments apply retrospectively and clarify that an entity providing key management personnel services should be treated as a related party for the purpose of related party disclosures. In addition, an entity which uses the services provided by such management entity is required to disclose the costs of such services.

The application of these amendments had no effect on the financial position or performance of the Group.

Amendments to IFRS introduced as part of the Annual Improvements to IFRS 2012–2014 Cycle:

➤ Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendments to IFRS 5 clarify that a change of the applied method should not be considered as a new plan of disposal. Instead, it should be treated as a continuation of the original plan.

The application of these amendments had no effect on the financial position or performance of the Group.

➤ Amendments to IAS 34 *Interim Financial Reporting*

The amendments clarify that the required interim disclosures must either be made in the interim financial statements or incorporated by cross-reference between the interim financial statements and another report (e.g. the directors' report). Other information within the interim financial statements must be available to users on the same terms and at the same time as the interim financial statements.

The application of these amendments had no effect on the financial position or performance of the Group.

➤ Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the provisions of IAS 16 and IAS 38, stating with reference to the revenue-based method that revenue represents the generation of expected economic benefits rather than consumption of the expected future economic benefits embodied in the asset. Accordingly, the revenue-based method may not be used for depreciation of property, plant and equipment, and its application for the amortisation of intangible assets may be appropriate only in certain circumstances. The amendments apply prospectively.

The application of these amendments had no effect on the financial position or performance of the Group.

➤ Amendments to IAS 1 *Disclosure Initiative*

The amendments clarify the existing IAS 1 requirements concerning:

- materiality,
- aggregation and subtotals,
- order of notes,
- aggregation of information on an entity's share of other comprehensive income of equity-accounted associates and joint ventures (single line disclosure).

Moreover, the amendments explain the requirements which apply when additional subtotals are presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The application of these amendments had no effect on the financial position or performance of the Group.

In addition, the following new or amended standards and interpretations are effective for annual periods beginning after January 1st 2015, but do not apply to the information presented and disclosed in the Group's financial statements:

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
The amendments refer to the recognition of bearer plants.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
The amendments address the accounting for an acquired interest in a joint operation by the acquirer.
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
The amendment refers to contributions from employees or third parties, which should be included when accounting for defined benefit plans
- and Amendments to IFRS introduced as part of the 2012-2014 improvements cycle:
 - Amendments to IFRS 7 *Financial Instruments: Disclosures*
 - I. Servicing contracts – the amendment clarifies that a servicing contract that provides for a fee for servicing the financial asset can constitute continuing involvement in the financial asset.
 - II. Applicability of the amendments to IFRS 7 (issued in December 2011) to condensed interim financial statements.
 - Amendments to IAS 19 *Employee Benefits*
The amendment refers to determination of the discount rate.

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

V. 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.

VI. 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 half-year 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.



THE SECO/WARWICK GROUP

**NOTES
TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED JUNE 30TH 2016**

Note 1. REVENUE

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.

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 percentage of completion is determined by reference to costs incurred to date in comparison with total contract costs determined in accordance with the Group's best estimate. 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.

Revenue from sale of finished goods in the six months ended June 30th 2016 was PLN 280m, 28% up on PLN 219m recorded in the comparative period. Revenue from sale of merchandise and materials in the six months ended June 30th 2016 was PLN 5m, down by 63% on PLN 14m recorded in the comparative period.

Note 2. OPERATING SEGMENTS

The Group's core business consists in manufacture of five key groups of products: vacuum furnaces, aluminium heat exchanger brazing systems, aluminium heat treatment systems and metallurgy equipment used for melting and vacuum casting of metals and specialty alloys. Also, in accordance with the Company's management accounts, a separate aftersales segment has been established. The SECO/WARWICK Group's operations are divided into five core business segments corresponding to the product groups:

Vacuum furnaces (Vacuum)

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

Melting furnaces

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).

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.

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 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.

Aftersales

The Aftersales Segment covers the conversion, modernisation and modification of customer-owned equipment, including the equipment manufactured by third parties. This segment also includes sale of spare parts and all aftersales services.

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



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

H1 2016	Continuing operations							Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	CAB	Atmosphere Furnaces	Aluminium Process	Melting Furnaces	Aftersales	Total			
Total segment revenue	58,621	9,611	23,194	46,669	103,739	41,264	283,098	-	2,392	285,490
Sales to customers accounting for 10% or more of revenue	-	-	-	-	41,467	-	-	-	-	-
Total segment expenses	-42,805	-6,359	-18,908	-38,205	-88,329	-26,923	-221,528	-	-2,576	-224,104
Gross profit/(loss)	15,816	3,253	4,286	8,464	15,410	14,341	61,570	-	-184	61,386
Administrative expenses									-28,701	-28,701
Distribution costs									-16,426	-16,426
Operating income									3,655	3,655
Operating expenses									-1,672	-1,672
Segment profit/(loss) on operating activities										18,242
Finance income									428	428
Finance costs									-7,507	-7,507
Share in profit of associate									-60	-60
Profit before tax										11,103
Actual tax expense									-4,132	-4,132
Profit/(loss) from continuing operations										6,971
Profit/(loss) from discontinued operations									-1,822	-1,822
Profit/(loss) attributable to non-controlling interests									-45	-45
Net profit/(loss) attributable to owners of the parent										5,193



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

H1 2015	Continuing operations						Discontinued operations	Unallocated items	Total	
	Vacuum Furnaces	CAB	Atmosphere Furnaces	Aluminium Process	Melting Furnaces	Aftersales				Total
Total segment revenue	57,134	26,814	39,717	8,942	58,652	38,591	229,850	-	3,503	233,353
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-	-
Total segment expenses	-42,273	-19,418	-33,252	-7,389	-45,212	-24,261	-171,805	-	-2,494	-174,299
Gross profit/(loss)	14,862	7,396	6,465	1,553	13,439	14,331	58,045		1,009	59,054
Administrative expenses									-29,309	-29,309
Distribution costs									-16,172	-16,172
Operating income									2,574	2,574
Operating expenses									-2,571	-2,571
Segment profit/(loss) on operating activities										13,576
Finance income									745	745
Finance costs									-3,074	-3,074
Share in profit of associate									-152	-152
Profit before tax										11,095
Actual tax expense									-3,837	-3,837
Profit/(loss) from continuing operations										7,259
Profit/(loss) from discontinued operations									604	604
Profit/(loss) attributable to non-controlling interests									-300	-300
Net profit/(loss) attributable to owners of the parent										8,163

Note 3. GEOGRAPHICAL SEGMENTS

H1 2016	EU	Russia, Belarus and Ukraine	US	Asia	Other	Total
Total revenue	125,216	32,958	62,707	46,665	17,943	285,490
Sales to external customers – continuing operations	125,216	32,958	62,707	46,665	17,943	285,490
Non-current assets	119,254	-	26,753	33,763	-	179,770
Capital expenditure	5,040	-	1,096	17	-	6,154

H1 2015	EU	Russia , Belarus and Ukraine	US	Asia	Other	Total
Total revenue	90,235	10,621	56,247	55,960	20,290	233,353
Sales to external customers – continuing operations	90,235	10,621	56,247	55,960	20,290	233,353
Non-current assets	142,232	-	27,511	33,737	3,963	207,444
Capital expenditure	5,086	-	1,421	44	110	6,662

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Reversal of impairment losses on receivables	57	-
Reversal of provisions	1,519	560
Gain on disposal of property, plant and equipment	34	19
Penalties and compensation/damages received	160	454
Inventory settlement	47	-
Income from lease of tangible assets and investment property	858	778
Grant for development work	454	124
Other	526	638
Total other income	3,655	2,574

OTHER EXPENSES	Jan 1 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Impairment losses on receivables	-	1,081
Loss on disposal of property, plant and equipment	54	67
Court expenses, compensation/damages, penalties	31	-
Cost of lease of tangible assets	670	539
Cost of discontinued production	-	42
Donations	189	167
Provision for compensation claims	49	-
Other	678	675
Total other expenses	1,672	2,570

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Interest income	428	607
Valuation of derivative instruments	-	63
Net foreign exchange gains	-	-
Other	-	75
Total finance income	428	745

FINANCE COSTS	Jan 1 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Interest on bank loans	2,317	2,287
Loss on derivative instruments at maturity	2,015	369
Valuation of derivative instruments	1,472	-
Net foreign exchange losses	1,518	150
Other	185	268
Total finance costs	7,507	3,074

Note 6. NON-CURRENT ASSETS HELD FOR SALE

On July 14th 2016, a conditional agreement for the sale of shares in SECO/WARWICK do Brasil Indústria de Fornos Ltda. of Jundai, Brasil, was signed. As at June 30th 2016, assets of the subsidiary met the classification criteria as assets held for sale under IFRS 5.

As at June 30th 2016, non-current assets held for sale amounted to PLN 8,611 thousand. Liabilities directly related to non-current assets classified as held for sale amounted to PLN 9,301 thousand.

Loss from discontinued operations was PLN 1,822 thousand. The table below presents a statement of comprehensive income from discontinued operations.

	Jan 1–Jun 30 2016	Jan 1–Jun 30 2015
	(unaudited)	(unaudited)
Revenue from sale of finished goods	3,834	7,445
Revenue from sale of merchandise and materials	-	-
Revenue	3,834	7,445
Finished goods sold	-2,918	-3,498
Merchandise and materials sold	-	-
Cost of sales	-2,918	-3,498
Gross profit/(loss)	915	3,947
Other income	218	3
Distribution costs	-481	-
Administrative expenses	-1,730	-3,240
Other expenses	-174	-87
Operating profit/(loss)	-1,251	623
Finance income	113	445
Finance costs	-685	-464
Profit/(loss) before tax	-1,822	604
Actual tax expense	-	-
Net profit/(loss)	-1,822	604

Note 7. EARNINGS PER SHARE

Item	Jun 30 2016	Jun 30 2015
Net profit from continuing operations attributable to shareholders	6,971	7,258
Profit(loss) from discontinued operations attributable to shareholders	-1,822	604
Net profit attributable to owners of the parent	5,193	8,163
Interest on redeemable preference shares convertible into ordinary shares	-	-
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	5,193	8,163
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,737,837	10,737,837
Earnings per share	0.48	0.76
Dilutive effect:		
Number of potential subscription warrants	-	-
Number of potential shares issued at market price	-	-
Adjusted weighted average number of ordinary shares, used to calculate diluted earnings per share	-	-
Diluted earnings per share	0.48	0.76

Note 8. PROPERTY, PLANT AND EQUIPMENT

The net value of property, plant and equipment as at June 30th 2016 was PLN 107,430 thousand, up by PLN 1,129 thousand on December 31st 2015.

In the six months ended June 30th 2016, the net value of property, plant and equipment increased by PLN 12,287 thousand as a result of internal generation (PLN 10,749 thousand), acquisition (PLN 450 thousand), and lease (PLN 1,088 thousand). The net value of property, plant and equipment was down by PLN 7,381 thousand as a result of sale (PLN 839 thousand), liquidation (PLN 592 thousand), and classification as assets held for sale (PLN 5,801 thousand). The depreciation charge for the six months ended June 30th 2016 was PLN 4,572 thousand. Accumulated depreciation of property, plant and equipment fell by PLN 3,183 thousand as a result of sale, liquidation and classification as assets held for sale. In the six months ended June 30th 2016, no impairment losses on property, plant and equipment were recognised. In the six months ended June 30th 2016, exchange differences were PLN 946 thousand. As at June 30th 2016, property, plant and equipment under construction amounted to PLN 6,868 thousand.

In the six months ended June 30th 2015, the net value of property, plant and equipment increased by PLN 7,923 thousand as a result of acquisition (PLN 7,294 thousand) and lease (PLN 629 thousand). The net value of property, plant and equipment was down by PLN 710 thousand as a result of sale (PLN 510 thousand) and liquidation (PLN 120 thousand). The depreciation charge for the six months ended June 30th 2015 was PLN 3,513 thousand. Accumulated depreciation of property, plant and equipment fell by PLN 418 thousand as a result of sale and remeasurement. In the six months ended June 30th 2015, no impairment loss on property, plant and equipment was recognised. In the six months ended June 30th 2015, exchange differences were PLN 2,103 thousand. As at June 30th 2015, property, plant and equipment under construction amounted to PLN 5,347 thousand.

Property, plant and equipment under construction:

<i>Property, plant and equipment under construction as at Jan 1 2015</i>	<i>Expenditure in the reporting period</i>	<i>Accounting for the expenditure</i>				<i>As at Jun 30 2016</i>
		<i>Buildings, premises and civil engineering structures</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other</i>	
10,197	8,537	2,981	7,374	1,043	468	6,868

<i>Property, plant and equipment under construction as at Jan 1 2015</i>	<i>Expenditure in the reporting period</i>	<i>Accounting for the expenditure</i>				<i>As at Jun 30 2015</i>
		<i>Buildings, premises and civil engineering structures</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other</i>	
8,664	3,374	790	5,022	629	249	5,347

Note 9. INTANGIBLE ASSETS

The net value of intangible assets as at June 30th 2016 was PLN 19,764 thousand, down by PLN 2,313 thousand on December 31st 2015.

In the six months ended June 30th 2016, the net value of intangible assets increased by PLN 887 thousand as a result of acquisition (PLN 549 thousand). In the six months ended June 30th 2016, the net value of intangible assets fell by PLN 2,170 thousand as a result of reclassification. The amortisation charge for the six months ended June 30th 2016 was PLN 896 thousand. In the six months ended June 30th 2016, no impairment losses on intangible assets were recognised. Foreign exchange differences amounted to PLN -134 thousand.

In the six months ended June 30th 2015, the net value of intangible assets rose by PLN 3,739 thousand as a result of acquisition (PLN 1,998 thousand) and internal generation (PLN 1,740 thousand). The depreciation charge for the six months ended June 30th 2015 was PLN 927 thousand. In the six months ended June 30th 2015, no impairment losses on intangible assets were recognised. Foreign exchange differences amounted to PLN -267 thousand.

Note 10. IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Jun 30 2016	Dec 31 2015
Trade receivables	19,435	19,478
Goodwill	61,433	61,433
Inventories	2,487	2,447
Tangible assets	908	890

IMPAIRMENT LOSSES ON TRADE RECEIVABLES	Jun 30 2016	Jun 30 2015
Opening balance	19,478	8,938
Increase, including:	14	1,525
- impairment losses recognised in correspondence with other expenses	-	1,525
- net exchange differences on translating financial statements into presentation currency	14	-
Decrease, including:	57	-
- impairment losses reversed in correspondence with other income	57	-
Closing balance	19,435	10,463

Note 11. INVENTORIES

Item	Jun 30 2016	Dec 31 2015
Materials (at cost)	26,711	25,821
Semi-finished products and work in progress	9,567	7,838
Finished goods	1,074	1,063
Merchandise	112	9
Total inventories (carrying amount)	37,464	34,730
Write-downs of inventories	2,487	2,447
Gross inventories	39,950	37,177

CHANGE IN INVENTORY WRITE-DOWNS

WRITE-DOWNS	Jun 30 2016	Jun 30 2015
Opening balance	2,447	2,534
Increase, including:	40	-
- write-downs recognised in correspondence with other expenses	-	-
- net exchange differences on translating financial statements into presentation currency	40	-
Decrease, including:	-	112
- write-downs reversed in correspondence with other income	-	224
- net exchange differences on translating financial statements into presentation currency	-	111
Closing balance	2,487	2,422

Note 12. DIVIDENDS PROPOSED OR DECLARED BY WAY OF RESOLUTION BY THE DATE OF APPROVAL OF THESE FINANCIAL STATEMENTS

On June 24th 2016, the Annual General Meeting of SECO/WARWICK S.A. passed Resolution No. 22 approving payment of PLN 3,005,776.74 (three million, five thousand, seven hundred and seventy-six zloty, 74/100) as dividend for 2015. Dividend per share would be PLN 0.31. The dividend record date and the dividend payment date was July 4th 2016 and July 18th 2016, respectively.

Note 13. GOODWILL

Item	Jun 30 2016	Dec 31 2015
Consolidation goodwill at beginning of period	40,195	68,557
Decrease in goodwill – impairment loss on SECO/WARWICK Corporation	-	-5,864
Decrease in goodwill – impairment loss on Retech Systems	-	-30,004
Exchange differences on translation of goodwill	847	7,505
Total goodwill at end of period	41,042	40,195

Note 14. LONG-TERM CONTRACTS

This Note presents costs as from the contract commencement date to the reporting date.

Contracts in progress at the end of the reporting period:	Jun 30 2016	Dec 31 2015
Cumulative costs incurred plus recognised profits less recognised losses as at the reporting date	1,427,818	1,383,856
Less progress billings, cumulatively	-1,430,650	-1,409,660
	-2,832	-25,804
 Included in the consolidated financial statements as amounts due:		
From customers under construction contracts	108,281	97,969
To customers under construction contracts	-111,113	-123,773
	-2,832	-25,804

Revenue from a contract in progress recognised as revenue in H1 2016 amounted to PLN 277,345 thousand (compared with PLN 220,158 thousand in H1 2015).

As at June 30th 2016, advances received from customers for contract work totalled PLN 126,531 thousand (compared with PLN 113,902 thousand in as at June 30th 2015).

Note 15. CAPITAL COMMITMENTS

As at June 30th 2016, the Group had capital commitments related to property, plant and equipment of PLN 397 thousand. The funds were allocated for the purchase of new plant and equipment.

Note 16. LOANS

	Jun 30 2016	Dec 31 2015
Increase in loans advanced, including:	345	520
- non-current	100	-
- current	245	520

No loans were provided to members of the Management Boards or Supervisory Boards of the Group companies in 2015 or H1 2016.

Note 17. DERIVATIVE FINANCIAL INSTRUMENTS

	Jun 30 2016		Dec 31 2015	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	467	6,851	407	4,896
Total hedging instruments				
- non-current	-	529	-	1,699
- current	467	6,322	407	3,197

Disclosures of derivative financial instruments which qualify for hedge accounting

In H1 2016, SECO/WARWICK EUROPE Sp. z o.o. used currency forwards to hedge an average of 61% of its export cash flows denominated in EUR and 76% of its cash flows denominated in USD. The purpose is to hedge the budgeted exchange rates for contracts. Any changes in the value of EUR-, USD-, GBP-, or RUB-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if the criteria provided for in IAS 39:88 are met. Other companies of the Group do not apply hedge accounting.

The balance-sheet valuation of derivative instruments is recognised in equity. If a transaction which has been hedged with a currency forward affects profit or loss, the valuation previously recognised in equity is reclassified to profit or loss. Given that transactions in derivative instruments are entered into for the purposes of concluded long-term contracts (accounted for based on the stage of completion measured by reference to contract costs incurred), the Group assumed that the transactions affect profit or loss in proportion to the percentage of completion of a given contract. The Group further assumed that the valuations of derivative instruments as at the reporting date provided by partner banks reliably reflect the fair value of its currency forwards, and so this value was disclosed in its accounting records. The effectiveness of transactions is assessed by comparing the maturity dates and nominal values of the hedged item and the hedging instrument.



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

The table below presents total values of hedging relationships open as at June 30th 2016.

Jun 30 2016	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2016	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	54,283	33,157	23,386	-2,560	-1,391	-1,169	Jul 29 2016 to Oct 31 2017
Jun 30 2016	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2016	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	42,184	23,733	19,598	-4,225	-2,275	-1,950	Jul 29 2016 to Jul 31 2017
Jun 30 2016	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2016	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	955	800	800	436	125	311	Dec 31 2016 to Feb 28 2017
Jun 30 2016	Notional amount of contract (RUB '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Jun 30 2016	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	19,581	19,581	1,758	-34	-34	-	Jul 29 2016



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

The table below presents total values of hedging relationships open as at December 31st 2015.

Dec 31 2015	Notional amount of contract (EUR '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2015	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	50,066	24,642	21,990	-451	-250	-201	Jan 29 2016 to Oct 31 2017
Dec 31 2015	Notional amount of contract (USD '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2015	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	52,100	31,886	21,666	-4,020	-1,795	-2,225	Feb 29 2016 to Jul 31 2017
Dec 31 2015	Notional amount of contract (GBP '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2015	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	1,591	1,373	1,168	-3	-58	55	Jan 29 2016 to Feb 28 2017
Dec 31 2015	Notional amount of contract (RUB '000)	Original notional amount of hedging instrument	Remaining notional amount of hedging instrument as at Dec 31 2015	Fair value of instrument (PLN '000)	Amount recognised in profit or loss, cumulatively (PLN '000)	Amount recognised in equity (PLN '000)	Date for final settlement of hedging instrument
TOTAL	85,647	53,581	15,832	2	2	-	Jan 29 2016

Note 18. OTHER CURRENT RECEIVABLES

Item	Jun 30 2016	Dec 31 2015
receivables under prepayments	20,966	18,159
receivables under taxes, customs duties, social and health insurance and other benefits	13,782	4,166
other receivables	2,097	1,320
Total other current receivables	36,846	23,645

Note 19. OTHER CURRENT LIABILITIES

Item	Jun 30 2016	Dec 31 2015
salaries and wages, other obligations towards employee	5,357	5,466
dividends payable	3,007	-
other liabilities	725	1,434
Total current liabilities	9,090	6,900

Note 20. MATERIAL ERROR CORRECTIONS

No material error corrections were made in H1 2016.

Note 21. DISCONTINUED OPERATIONS

Discontinued operations were separated in H1 2016, with the relevant comparative data adjusted in accordance with IFRS 5.34.

The table below shows the presentation changes to comparative data in the interim consolidated statement of comprehensive income.

	BEFORE ADJUSTMENT	AFTER ADJUSTMENT
Revenue from sale of finished goods	226,979	219,534
Revenue from sale of merchandise and materials	13,819	13,819
Revenue	240,798	233,353
Finished goods sold	-166,993	-163,495
Merchandise and materials sold	-10,804	-10,804
Cost of sales	-177,797	-174,299
Gross profit/(loss)	63,001	59,054
Other income	2,577	2,574
Distribution costs	-16,172	-16,172
Administrative expenses	-32,549	-29,309
Other expenses	-2,658	-2,571
Operating profit/(loss)	14,199	13,576
Finance income	1,191	745
Finance costs	-3,538	-3,074
Share of net profit/(loss) of associates	-152	-152

Profit/(loss) before tax	11,700	11,095
Actual tax expense	-3,837	-3,837
Net profit/(loss) from continuing operations	7,862	7,258
Loss from discontinued operations	-	604
Net profit/(loss)	7,862	7,862

Note 22. OFF-BALANCE-SHEET ITEMS
Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 65,080 thousand as at June 30th 2016 and to PLN 75,507 thousand as at the end of 2015. The guarantees were issued in respect of:

- APG → advance payment guarantee of PLN 54,265 thousand
- PBG → performance bond guarantee of PLN 8,609 thousand
- SBLC → stand-by letter of credit of PLN 2,207 thousand

Note 23. 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.

To the best of the Issuer's knowledge, by the date of this Report 560 Asbestos Claims were filed against SWC, of which 189 were dismissed, 38 ended in settlements with LMI and other insurers for the total amount of USD 3m, and 333 Claims are being verified or negotiated to agree upon the terms of potential settlements with injured parties.

For further information, see Note 41 to the consolidated financial statements for the period ended December 31st 2015.

Note 24. RELATED PARTIES

No material transactions were executed with any related parties.

Note 25. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	Jun 30 2016	Jun 30 2015
Cash in the statement of financial position	31,147	74,161
Exchange differences on balance-sheet valuation	52	500
Cash attributable to discontinued operations	1,961	-
Total cash and cash equivalents disclosed in the statement of cash flows	33,159	74,661

Note 26. FAIR VALUE HIERARCHY

All financial instruments (presented in Note 17) are classified by the Group in Level 2 of the fair value hierarchy. The valuation method and technique used to measure financial instruments at fair value are the same as those applied as at December 31st 2015. No transfers between levels of the fair value hierarchy used in the measurement of the fair value of financial instruments and no changes in the classification of financial instruments as a result of a change in the purpose or use of those assets were made in the reporting period or in the comparative periods.

Note 27. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

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

Note 28. EVENTS UNUSUAL DUE TO THEIR NATURE, SIZE OR INCIDENCE

Except for the events described in these financial statements, no other unusual events occurred.

Note 29. MATERIAL EVENTS AFTER THE INTERIM PERIOD NOT REFLECTED IN THE FINANCIAL STATEMENTS

No such events occurred.

Date: September 9th 2016

Paweł Wyrzykowski

Jarosław Talerzak

Wojciech Peret

President of the Management Board Vice President of the Management Board Member of the Management Board



THE SECO/WARWICK GROUP

Interim condensed separate financial statements
for the period January 1st–June 30th 2016 (PLN '000)

SECO/WARWICK S.A.

**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS FOR THE
PERIOD JANUARY 1ST–JUNE 30TH 2016**

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

	Note	Jan 1–Jun 30 2016	Jan 1–Jun 30 2015
		(unaudited)	(unaudited)
Revenue from sale of finished goods		5,554	5,978
Revenue from sale of merchandise and materials		2	-
Revenue		5,556	5,978
Finished goods sold		-4,689	-5,416
Merchandise and materials sold		-2	-
Cost of sales		-4,690	-5,416
Gross profit/(loss)		866	563
Other income	1	216	148
Distribution costs		-	-
Administrative expenses		-1,747	-2,770
Other expenses	1	-346	-3,303
Operating profit/(loss)		-1,011	-5,362
Finance income	2	21,451	25,232
Finance costs	2	-7,616	-8,417
Profit/(loss) before tax		12,824	11,453
Actual tax expense		157	266
Net profit/(loss) from continuing operations		12,666	11,187
Profit/(loss) from discontinued operations		-	-
Net profit/(loss) for financial year		12,666	11,187
OTHER COMPREHENSIVE INCOME:			
Cash flow hedges		-	-
Income tax on other comprehensive income		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		12,666	11,187

Date: September 9th 2016

*Person responsible for the
accounting records:**Ryszard Rej*

Paweł Wyrzykowski

President of the Management Board

Jarosław Talerzak

*Vice President of the
Management Board*

Wojciech Peret

*Member of the
Management Board*

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

	Note	Jun 30 2016 (unaudited)	Dec 31 2015 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,522	1,789
Intangible assets		10,212	10,686
Investments in subsidiary, jointly-controlled and associated entities	4	119,481	113,759
Other financial assets		100	-
		131,315	126,235
Current assets			
Trade receivables		4,550	5,487
Other current receivables		16,134	11,113
Cash and cash equivalents		9,747	7,569
Other financial assets		462	4,529
Other non-financial assets		170	171
		31,063	28,868
NON-CURRENT ASSETS HELD FOR SALE		183	-
TOTAL ASSETS		162,562	155,103

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

	Note	Jun 30 2016 (unaudited)	Dec 31 2015 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		3,704	3,704
Statutory reserve funds		97,674	126,900
Capital reserves		100	15,705
Other components of equity		8,825	8,525
Retained earnings/ accumulated loss		12,666	-41,895
		122,970	112,940
Non-current liabilities			
Borrowings and other debt instruments		19,872	24,215
Other financial liabilities		204	204
Deferred tax liabilities		566	409
Deferred income		3,646	3,818
		24,287	28,645
Current liabilities			
Borrowings and other debt instruments		8,836	8,785
Other financial liabilities		159	270
Trade payables		499	583
Other current liabilities		3,997	870
Income tax payable		-	374
Provision for retirement and similar benefits		668	1,492
Other provisions		800	800
Deferred income		344	345
		15,304	13,519
TOTAL EQUITY AND LIABILITIES		162,562	155,103

Date: September 9th 2016

*Person responsible for the
accounting records:**Ryszard Rej*

Paweł Wyrzykowski

President of the Management Board

Jarosław Talerzak

*Vice President of the
Management Board*

Wojciech Peret

*Member of the
Management Board*



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

	Jan 1–Jun 30 2016	Jan 1–Jun 30 2015
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before tax	12,824	11,453
Total adjustments:	-8,606	-15,841
Depreciation and amortisation	719	608
Foreign exchange gains/(losses)	241	1,001
Interest and profit distributions (dividends)	-20,872	-24,732
Gain/(loss) on investing activities	6,606	6,728
Change in provisions	-824	-399
Change in inventories	-	-
Change in receivables	2,336	601
Change in current liabilities (other than financial liabilities)	3,059	-487
Change in accruals and deferrals	-171	-227
Other adjustments (management stock options)	300	1,065
Income tax (paid)/refunded	-374	-
Net cash flows from operating activities	3,843	-4,388
INVESTING ACTIVITIES		
Cash provided by investing activities	17,295	14,230
Proceeds from disposal of intangible assets and property, plant and equipment	125	97
Dividends and profit distributions received	14,913	14,133
Decrease in loans advanced	2,258	-
Other inflows from financial assets	-	-
Cash used in investing activities	10,873	5,044
Investments in intangible assets, property, plant and equipment, and investment property	116	600
Acquisition of related entities	9,845	4,444
Increase in loans advanced	912	-
Net cash flows from investing activities	6,423	9,185
FINANCING ACTIVITIES		
Cash provided by investing activities	71	26,879
Net proceeds from issue of equity interests (shares) or other equity instruments and additional contributions to equity	71	-
Borrowings and other debt instruments	-	26,879



Cash used in investing activities	8,083	29,043
Acquisition of own shares	-	26,845
Dividends and other distributions to owners	3,007	-
Repayment of borrowings and other debt instruments	4,423	1,661
Payment of finance lease liabilities	110	122
Interest paid	542	416
Net cash flows from financing activities	-8,012	-2,164
<hr/>		
Total net cash	2,254	2,633
Net change in cash, including:	2,178	2,758
- effect of exchange rate fluctuations on cash held	-76	125
Cash at beginning of period	7,565	9,515
Cash at end of period	9,819	12,149

Date: September 9th 2016

*Person responsible for the
accounting records:*

Ryszard Rej

Paweł Wyrzykowski

President of the Management Board

Jarosław Talerzak

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Wojciech Peret

*Member of the
Management Board*



THE SECO/WARWICK GROUP

Interim condensed separate financial statements
for the period January 1st–June 30th 2016 (PLN '000)

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

(PLN '000)

	Share capital	Statutory reserve funds	Capital reserves	Hedging reserve	Other components of equity	Retained earnings/ accumulated loss	Total equity
As at Jan 1 2016	3,704	126,900	15,705	-	8,525	-41,895	112,940
Profit/(loss) for period	-	-	-	-	-	12,666	12,666
Comprehensive income for period	-	-	-	-	-	12,666	12,666
Coverage of loss brought forward	-	-41,895	-	-	-	41,895	-
Dividend	-	-3,007	-	-	-	-	-3,007
Transfer of capital reserve to statutory reserve funds	-	15,705	-15,705	-	-	-	-
Sale of shares	-	-29	100	-	-	-	71
Management stock options	-	-	-	-	300	-	300
As at Jun 30 2016 (unaudited)	3,704	97,674	100	-	8,825	12,666	122,970
As at Jan 1 2015	3,704	136,322	41,750	-	4,983	-6,520	180,239
Correction of previous years' errors	-	-	-	-	3,133	-7,404	-4,271
As at Jan 1 2015	3,704	136,322	41,750	-	8,116	-13,924	175,968
Profit/(loss) for period	-	-	-	-	-	11,187	11,187
Comprehensive income for period	-	-	-	-	-	11,187	11,187
Coverage of loss brought forward	-	-9,422	-	-	-	9,422	-
Share buyback	-	-	-26,845	-	-	-	-26,845
Management stock options	-	-	-	-	1,065	-	1,065
As at Jun 30 2015 (unaudited)	3,704	126,900	14,905	-	9,181	6,686	161,376



THE SECO/WARWICK GROUP

Interim condensed consolidated financial statements
for the period January 1st–June 30th 2016 (PLN '000)

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

	Share capital	Statutory reserve funds	Capital reserves	Hedging reserve	Other components of equity	Retained earnings/ accumulated loss	Total equity
As at Jan 1 2015	3,704	136,322	41,750	-	4,983	-6,520	180,239
Correction of previous years' errors	-	-	-	-	3,133	-7,404	-4,271
As at Jan 1 2015	3,704	136,322	41,750	-	8,116	-13,924	175,968
Profit/(loss) for period	-	-	-	-	-	-37,394	-37,394
Comprehensive income for period	-	-	-	-	-	-37,394	-37,394
Coverage of loss brought forward	-	-9,422	-	-	-	9,422	-
Sale of shares	-	-	-26,045	-	-	-	-26,045
Management stock options	-	-	-	-	409	-	409
As at Dec 31 2015 (audited)	3,704	126,900	15,705	-	8,525	-41,895	112,940

Date: September 9th 2016

Person responsible for
keeping the accounting records:
Ryszard Rej

Paweł Wyrzykowski

President of the Management Board

Jarosław Talerzak

Vice President of the Management Board

Wojciech Peret

Member of the Management Board



THE SECO/WARWICK GROUP

Interim condensed separate financial statements
for the period January 1st–June 30th 2016 (PLN '000)

SECO/WARWICK S.A.

**NOTES
TO THE INTERIM CONDENSED SEPARATE FINANCIAL
STATEMENTS FOR THE PERIOD ENDED JUNE 30TH 2016**

BASIS OF PREPARATION

These interim condensed separate financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (consolidated text: Dz.U. of 2014, item 133, with the amendments published in Dz.U. of 2016, No. 0, item 860) (the “Regulation”).

These interim condensed separate financial statements of the Company should be read in conjunction with the interim condensed consolidated financial statements authorised for issue by the Management Board and published on the same date as these interim condensed separate financial statements, in order to obtain complete information on the SECO/WARWICK Group’s assets and financial position as at June 30th 2016 and its financial performance in the period from January 1st to June 30th 2016, in accordance with the International Financial Reporting Standards endorsed by the European Union. These interim condensed separate financial statements do not include all the information and disclosures required in annual consolidated financial statements and should be read in conjunction with the separate financial statements for the year ended December 31st 2015, which were authorised for issue on April 28th 2016.

These half-year condensed separate financial statements are presented in the zloty (“PLN”) and, unless specified otherwise, all amounts are given in thousands of PLN.

Relevant comparative data is sourced from the statement of financial position as at December 31st 2015, statement of comprehensive income and statement of cash flows for the six months ended June 30th 2015, as well as the statement of changes in equity for the six months ended June 30th 2015.

The financial data presented in these interim condensed separate financial statements has been reviewed by an independent auditor.

None of the published but not yet effective standards or interpretations have been applied in preparing these condensed separate financial statements.

These interim condensed financial statements for the six months ended June 30th 2016 have been prepared on a going-concern assumption.

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

In these interim condensed financial statements no significant changes were made to the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years which would have a material effect on the current interim period.

Note 1. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1 2016– Jun 30 2016	Jan 1 2015– Jun 30 2015
Gain on disposal of non-current non-financial assets	34	19
Grant for development work	172	124
Other	9	5
Total other income	216	148

OTHER EXPENSES	Jan 1 2016– Jun 30 2016	Jan 1 2015– Jun 30 2015
Impairment losses on receivables	345	3,294
Costs related to re-invoicing	-	5
Donations	1	2
Other	-	2
Total other expenses	346	3,303

Note 2. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1 2016– Jun 30 2016	Jan 1 2015– Jun 30 2015
Interest income	67	76
Dividend received	21,384	25,096
Other	-	60
Total finance income	21,451	25,232

FINANCE COSTS	Jan 1 2016– Jun 30 2016	Jan 1 2015– Jun 30 2015
Interest paid	568	480
Net foreign exchange losses	425	1,173
Impairment losses on equity interests	3,940	6,764
Impairment losses on loans	1,772	-
Loan cancellation	912	-
Total finance costs	7,616	8,417

Note 3. PROPERTY, PLANT AND EQUIPMENT

The net value of property, plant and equipment as at June 30th 2016 was PLN 1,522 thousand, down by PLN 267 thousand on December 31st 2015.

In the six months ended June 30th 2016, the net value of property, plant and equipment increased by PLN 90 thousand as a result of acquisition (six months ended June 30th 2015: PLN 32 thousand).

In the six months ended June 30th 2016, the net value of property, plant and equipment fell by PLN 426 thousand as a result of sale (PLN 334 thousand) and assignment of a lease agreement (PLN 92 thousand). In the six months ended June 30th 2015, the net value of property, plant and equipment decreased by PLN 266 thousand as a result of sale (PLN 187 thousand) and assignment of a lease agreement (PLN 79 thousand).

The depreciation charge for the six months ended June 30th 2016 was PLN 245 thousand (six months ended June 30th 2015: PLN 270 thousand). Also accumulated depreciation of property, plant and equipment fell by PLN 288 thousand as a result of sale and assignment of a lease agreement (six months ended June 30th 2015: PLN 140 thousand).

In the six months ended June 30th 2016 and June 30th 2015, no impairment losses on property, plant and equipment were recognised.

As at June 30th 2016, the value of property, plant and equipment under construction was PLN 26 thousand (June 30th 2015: PLN 100 thousand).



THE SECO/WARWICK GROUP

Interim condensed separate financial statements
for the period January 1st–June 30th 2016

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

As at Jun 30 2016	Carrying amount of equity interests	Ownership interest (%)	% of total voting rights	Method of consolidation
SECO/WARWICK EUROPE	70,407	100%	100%	full
SECO/WARWICK Corporation	-	100%	100%	full
SECO/WARWICK Rus	2	100%	100%	full
RETECH Systems LLC	38,464	100%	100%	full
SECO/WARWICK ALLIED	8,930	98%	98%	full
SECO/WARWICK Retech	-	90%	90%	full
OOO SCT Russia	1,678	50%	50%	equity method
SECO/WARWICK GmbH	-	100%	100%	full
SECO/WARWICK Germany GmbH	-	100%	100%	full
SECO/WARWICK do Brasil	183	100%	100%	full
SECO/WARWICK France	-	100%	100%	full
SECO/WARWICK Service Sp. z o.o.	-	100%	100%	full
As at Dec 31 2015				
SECO/WARWICK EUROPE	70,407	100%	100%	full
SECO/WARWICK Corporation	-	100%	100%	full
SECO/WARWICK Rus	2	100%	100%	full
RETECH Systems LLC	38,464	100%	100%	full
SECO/WARWICK ALLIED	-	75%	75%	full
SECO/WARWICK Retech	-	90%	90%	full
OOO SCT Russia	4,228	50%	50%	equity method
SECO/WARWICK GmbH	-	100%	100%	full
SECO/WARWICK Germany GmbH	-	100%	100%	full
SECO/WARWICK do Brasil	658	100%	100%	full
SECO/WARWICK France	-	100%	100%	full
SECO/WARWICK Service Sp. z o.o.	-	100%	100%	full

Note 5. IMPAIRMENT LOSSES ON ASSETS

Impairment losses	Jun 30 2016	Dec 31 2015
Trade receivables	4,810	7,819
Equity interests in subsidiaries	83,669	79,729
Inventories	-	-
Loans	2,593	2,436

IMPAIRMENT LOSSES ON TRADE RECEIVABLES	Jun 30 2016	Jun 30 2015
Opening balance	7,819	3,935
Increase, including:	345	3,294
- impairment losses recognised in correspondence with other expenses	345	3,294
Decrease, including:	3,354	-
- reversal of impairment losses following cancellation of written off receivables	3,354	-
Closing balance	4,810	7,229

IMPAIRMENT LOSSES ON EQUITY INTERESTS	Jun 30 2016	Jun 30 2015
Opening balance	79,729	32,920
Increase, including:	3,940	6,764
- impairment losses recognised in correspondence with finance costs	3,940	6,764
Decrease, including:	-	-
- impairment losses reversed in correspondence with finance income	-	-
Closing balance	83,669	39,684

In H1 2016, the Company recognised a PLN 1,390 thousand impairment loss on shares in SECO/WARWICK do Brasil Indústria de Fornos LTDA (Brasil) and a PLN 2,550 thousand impairment loss on shares in OOO SCT (Russia).

IMPAIRMENT LOSSES ON LOANS	Jun 30 2016	Jun 30 2015
Opening balance	2,436	821
Increase, including:	1,772	-
- impairment losses recognised in correspondence with finance costs	1,772	-
Decrease, including:	1,615	-
- reversal of impairment losses following cancellation of written off loans	1,615	-
Closing balance	2,593	821

In H1 2016, the Company recognised an impairment loss of PLN 1,772 thousand on loans advanced to a subsidiary, and cancelled written-off loans of PLN 1,615 thousand, advanced to a subsidiary.

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

On June 24th 2016, On June 24th 2016, the Annual General Meeting of SECO/WARWICK S.A. passed Resolution No. 22 approving payment of PLN 3,005,776.74 (three million, five thousand, seven hundred and seventy-six zloty, 74/100) as dividend for 2015. Dividend per share would be PLN 0.31. The dividend record date and the dividend payment date was July 4th 2016 and July 18th 2016, respectively.

On June 8th 2016, the Annual General Meeting of SECO/WARWICK EUROPE Sp. z o.o. resolved to distribute the company's net profit of PLN 21,383,624.47 as dividends. By the date of issue of these financial statements, the Company received PLN 7m, and the remaining amount will be distributed in three instalments: PLN 6m by September 30th 2016, PLN 3m by November 31st 2016, and PLN 5,383 thousand by February 28th 2017.

Note 7. CAPITAL COMMITMENTS

SECO/WARWICK S.A. had no investment commitments as at June 30th 2016.

Note 8. RELATED-PARTY TRANSACTIONS

Related party	Year	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities towards related parties
SECO/WARWICK EUROPE					
	<i>Dec 31 2015</i>	6,804	1,524	2,699	200
	<i>Jun 30 2015</i>	2,998	888	2,607	3,302
	<i>Jun 30 2016</i>	3,401	265	2,404	103
SECO/WARWICK Corporation					
	<i>Dec 31 2015</i>	1,679	7	-	-
	<i>Jun 30 2015</i>	861	-	1,593	-
	<i>Jun 30 2016</i>	703	13	718	13
RETECH					
	<i>Dec 31 2015</i>	4,799	-	2,044	-
	<i>Jun 30 2015</i>	1,482	-	938	-
	<i>Jun 30 2016</i>	941	-	473	-
SECO/WARWICK Allied					
	<i>Dec 31 2015</i>	890	-	610	-
	<i>Jun 30 2015</i>	267	-	1,473	-
	<i>Jun 30 2016</i>	95	-	423	-
SECO/WARWICK RETECH					
	<i>Dec 31 2015</i>	588	-	-	-
	<i>Jun 30 2015</i>	282	-	299	-
	<i>Jun 30 2016</i>	270	-	277	-
SECO/WARWICK do Brasil					
	<i>Dec 31 2015</i>	72	-	73	-
	<i>Jun 30 2015</i>	62	-	183	-
	<i>Jun 30 2016</i>	9	-	18	-

SECO/WARWICK GmbH					
	<i>Dec 31 2015</i>	48	-	-	-
	<i>Jun 30 2015</i>	-	-	-	-
	<i>Jun 30 2016</i>	-	-	-	-
SECO/WARWICK Germany GmbH					
	<i>Dec 31 2015</i>	104	65	56	1
	<i>Jun 30 2015</i>	26	56	117	78
	<i>Jun 30 2016</i>	12	21	70	9
SECO/WARWICK Services Sp. z o.o.					
	<i>Dec 31 2015</i>	-	-	-	-
	<i>Jun 30 2015</i>	-	-	-	-
	<i>Jun 30 2016</i>	119	1	146	1
SECO/WARWICK France					
	<i>Dec 31 2015</i>	2	-	2	-
	<i>Jun 30 2015</i>	-	-	-	-
	<i>Jun 30 2016</i>	4	-	4	-
SECO/WARWICK Rus					
	<i>Dec 31 2015</i>	3	-	3	-
	<i>Jun 30 2015</i>	-	-	-	-
	<i>Jun 30 2016</i>	3	-	6	-

Note 9. PRESENTATION ADJUSTMENTS

No presentation adjustments were made.

Note 10. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

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

Note 11. EVENTS UNUSUAL DUE TO THEIR NATURE, SIZE OR INCIDENCE

No such events occurred.

Note 12. MATERIAL EVENTS AFTER THE INTERIM PERIOD NOT REFLECTED IN THE FINANCIAL STATEMENTS

No such events occurred.

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

No such events occurred.

Date: September 9th 2016

Paweł Wyrzykowski

Jarosław Talerzak

Wojciech Peret

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