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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS.....	11
INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME	12
INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION	13
INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS	15
INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY	16
SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS..	18
I. General information	19
II. Applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses.....	21
III. Financial highlights	22
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	25



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2017**

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

	For the period Jan 1–Mar 31 2017	For the period Jan 1–Mar 31 2016
	(unaudited)	(unaudited, restated)
Revenue from sale of goods and services	128,904	130,986
Revenue from sale of merchandise and materials	1,810	3,061
Revenue	130,714	134,048
Cost of products sold and services rendered	-109,181	-104,484
Merchandise and materials sold	-1,435	-1,957
Cost of sales	-110,616	-106,441
Gross profit/(loss)	20,098	27,607
Other income	2,185	1,848
Distribution costs	-9,960	-8,777
Administrative expenses	-14,000	-13,570
Other expenses	-483	-1,376
Operating profit/(loss)	-2,160	5,732
Finance income	4,897	1,440
Finance costs	-1,633	-1,679
Share of net profit/(loss) of associates	-20	-52
Profit/(loss) before tax	1,085	5,441
Actual tax expense	-591	-1,768
Net profit/(loss) from continuing operations	494	3,673
Profit/(loss) from discontinued operations	-	-1,109
Net profit/(loss)	494	2,564
Net profit/(loss) attributable to		
Owners of the Parent	410	2,528
Non-controlling interests	84	36
EARNINGS/(LOSS) PER SHARE:		
- basic earnings/(loss) per share attributable to owners of the parent	0.04	0.24
- diluted earnings/(loss) per share attributable to owners of the parent	0.04	0.24
- basic earnings/(loss) per share from continuing operations, attributable to owners of the parent	0.04	0.34
- diluted earnings/(loss) per share from continuing operations, attributable to owners of the parent	0.04	0.34

OTHER COMPREHENSIVE INCOME:

Items that will not be reclassified to profit or loss:

Actuarial gains/(losses) on a defined benefit pension plan	-	-
Income tax on other comprehensive income	-	-

Items that may be reclassified to profit or loss:

Valuation of cash flow hedging derivatives	4,227	3,373
Exchange differences on translating foreign operations, including income tax effect	-4,149	-2,442
Reclassification adjustments (increase in control of a subsidiary)	-	-
Income tax on other comprehensive income	-803	-641
Total other comprehensive income, net	-725	290
Total comprehensive income	-230	2,854

Total comprehensive income attributable to

Owners of the Parent	-337	2,874
Non-controlling interests	107	-20

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

	Mar 31 2017 (unaudited)	Dec 31 2016 (audited)
Non-current assets		
Property, plant and equipment	89,681	98,292
Investment property	378	381
Goodwill	40,615	43,004
Intangible assets	30,559	29,619
Long-term receivables	5,142	5,567
Other financial assets	12,246	8,369
Deferred tax assets	2,152	5,821
	180,773	191,053
Current assets		
Inventories	37,863	39,377
Trade receivables	100,742	97,827
Income tax assets	4,327	7,300
Other short-term receivables	23,238	29,116
Cash and cash equivalents	39,468	41,147
Other financial assets	4,269	266
Other non-financial assets	7,959	5,972
Contract settlement	127,127	106,554
	344,993	327,560
Assets held for sale	-	104
TOTAL ASSETS	525,766	518,717

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

	Mar 31 2017 (unaudited)	Dec 31 2016 (audited)
Equity		
Share capital	3,616	3,616
Statutory reserve funds	182,429	182,429
Other components of equity	9,595	9,284
Hedging reserve	1,111	-2,313
Retained earnings / accumulated losses	3,498	7,259
Equity attributable to owners of the Parent	200,249	200,275
Non-controlling interests	-437	-544
	199,812	199,731
Non-current liabilities		
Borrowings and other debt instruments	27,769	27,462
Other financial liabilities	2,832	2,561
Trade payables	-	244,
Other non-current liabilities	182	185
Deferred tax liabilities	9,283	10,834
Provision for retirement and similar benefits	4,847	5,113
Other provisions	174	176
Deferred income	13,555	13,574
	58,642	60,149
Current liabilities		
Borrowings and other debt instruments	72,534	49,978
Other financial liabilities	2,334	7,014
Trade payables	63,057	67,712
Income tax payable	108	209
Taxes, customs duties and social security payable	6,813	6,839
Other current liabilities	6,953	6,256
Provision for retirement and similar benefits	11,444	11,584
Other provisions	3,475	6,214
Deferred income	1,015	1,015
Contract settlement	99,580	102,015
	267,313	258,836
TOTAL EQUITY AND LIABILITIES	525,766	518,717

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

	For the period Jan 1–Mar 31 2017	For the period Jan 1–Mar 31 2016
	(unaudited)	(unaudited, restated)
OPERATING ACTIVITIES		
Profit/(loss) before tax	1,085	4,332
Total adjustments:	-32,048	-12,408
Share of net profit of associates	-10	9
Depreciation and amortisation	2,676	2,976
Foreign exchange gains/(losses)	-1,911	113
Interest and profit distributions (dividends)	845	755
Gain/(loss) on investing activities	-133	-103
Balance-sheet valuation of derivative instruments	-5,310	-1,213
Change in provisions	-3,199	-1,339
Change in inventories	561	-1,969
Change in receivables	-5,236	-13,326
Change in current liabilities (other than financial liabilities)	5,429	1,349
Change in accruals, deferrals and contracts	-24,290	-78
Other adjustments	-1,469	418
Income tax paid/recovered	3,488	824
Net cash from operating activities	-27,475	-7,252
INVESTING ACTIVITIES		
Cash provided by investing activities	8,706	649
Proceeds from disposal of intangible assets and property, plant and equipment	8,688	218
Other inflows from financial assets	18	430
Cash used in investing activities	6,187	2,958
Investments in intangible assets, property, plant and equipment, and investment property	3,074	2,958
Other cash used in investing activities	3,113	-
Net cash from investing activities	2,519	-2,310
FINANCING ACTIVITIES		
Cash provided by investing activities	24,291	6,179
Borrowings and other debt instruments	24,291	6,179
Cash used in investing activities	1,118	12,559
Repayment of borrowings and other debt instruments	-	11,383
Other financial liabilities	5	-
Payment of finance lease liabilities	262	206
Interest paid	850	970
Net cash from financing activities	23,173	-6,380
Total net cash	-1,782	-15,942
Net change in cash, including:	16,114	-18,618
- effect of exchange rate fluctuations on cash held	-84	-166
Cash at beginning of the period	41,334	57,758
Cash at end of period	39,552	41,816

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

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings / accumulated losses	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
Equity as at Jan 1 2017	3,616	182,429	-2,313	9,284	27,029	-19,770	200,275	-544	199,731
Profit/(loss) for the period	-	-	-	-	-	410	410	84	494
Other comprehensive income	-	-	3,424	-	-4,171	-	-747	23	-725
Total comprehensive income for the year	-	-	3,424	-	-4,171	410	-337	107	-230
Management stock options	-	-	-	311	-	-	311	-	311
Equity as at Mar 31 2017 (unaudited)	3,616	182,429	1,111	9,595	22,858	-19,361	200,249	-437	199,812

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings / accumulated losses	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
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	-	-	-	-	-	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
Management stock options	-	-	-	132	-	-	132	-	132
Equity as at Mar 31 2016 (unaudited)	3,704	190,271	841	24,363	19,002	-59,594	178,587	429	179,016

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

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

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Exchange differences	Retained earnings / accumulated losses	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
Equity as at Jan 1 2016	3,704	190,271	-1,891	24,231	21,388	-62,123	175,580	449	176,030
Profit/(loss) for the period	-	-	-	-	-	19,787	19,787	-143	19,644
Other comprehensive income	-	-	-423	-	5,641	740	5,958	464	6,423
Total comprehensive income for the year	-	-	-423	-	5,641	20,527	25,745	321	26,067
Dividend	-	-	-	-	-	-3,007	-3,007	-	-3,007
Cancellation of treasury shares	-88	-	-	88	-	-	-	-	-
Disposal of own shares	-	-29	-	100	-	-	71	-	71
Management stock options	-	-	-	571	-	-	571	-	571
Coverage of loss brought forward	-	-23,519	-	-	-	23,519	-	-	-
Transfer from capital reserve to statutory reserve funds	-	15,705	-	-15,705	-	-	-	-	-
Accounting for increase of control at SWA	-	-	-	-	-	1,314	1,314	-1,314	-
Equity as at Dec 31 2016 (audited)	3,616	182,429	-2,313	9,284	27,029	-19,770	200,275	-544	199,731

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017



**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2017**

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

	For the period Jan 1–Mar 31 2017	For the period Jan 1–Mar 31 2016
	(unaudited)	(unaudited, restated)
Revenue from sale of goods and services	66,202	77,550
Revenue from sale of merchandise and materials	12	34
Revenue	66,214	77,584
Cost of products sold and services rendered	-55,160	-63,918
Merchandise and materials sold	-9	-17
Cost of sales	-55,170	-63,935
Gross profit/(loss)	11,044	13,650
Other income	932	708
Distribution costs	-3,259	-3,166
Administrative expenses	-5,147	-4,983
Other expenses	-100	-516
Operating profit/(loss)	3,471	5,694
Finance income	4,855	2,493
Finance costs	-707	-2,069
Profit/(loss) before tax	7,619	6,118
Actual tax expense	-1,501	-1,475
Net profit/(loss) from continuing operations	6,118	4,643
Profit/(loss) from discontinued operations	-	-
Net profit/(loss)	6,118	4,643
OTHER COMPREHENSIVE INCOME:		
Cash flow hedges	-	-
Income tax on other comprehensive income	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	6,118	4,643
Earnings/(loss) per share (PLN):		
- basic and diluted from net profit/(loss)	0.59	0.43

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

	Mar 31 2017 (unaudited)	Dec 31 2016 (restated)
Non-current assets		
Property, plant and equipment	53,478	52,787
Investment property	378	381
Intangible assets	31,677	30,651
Long-term receivables	5,081	5,492
Other financial assets	49,160	43,522
Deferred tax assets	2,332	4,812
	142,106	137,645
Current assets		
Inventories	21,156	21,823
Trade receivables	55,893	50,626
Income tax assets	1,743	1,743
Other short-term receivables	13,797	20,445
Cash and cash equivalents	16,975	19,056
Other financial assets	9,657	4,752
Other non-financial assets	4,385	2,139
Contract settlement	76,777	67,627
	200,384,	188,211,
Assets held for sale	-	-
TOTAL ASSETS	342,490	325,856

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

	Mar 31 2017 (unaudited)	Dec 31 2016 (restated)
Equity		
Share capital	3,616	3,616
Statutory reserve funds	111,206	111,206
Other components of equity	10,670	10,359
Hedging reserve	1,111	-2,313
Retained earnings / accumulated losses	36,987	30,869
	163,590	153,737
Non-current liabilities		
Borrowings and other debt instruments	13,240	15,517
Other financial liabilities	2,791	2,493
Provision for retirement and similar benefits	587	587
Deferred income	13,555	13,574
	30,173	32,171
Current liabilities		
Borrowings and other debt instruments	45,455	23,622
Other financial liabilities	2,262	6,962
Trade payables	30,236	38,518
Taxes, customs duties and social security payable	4,072	3,796
Other current liabilities	3,095	762
Provision for retirement and similar benefits	6,949	5,709
Other provisions	2,111	4,161
Deferred income	1,015	1,015
Contract settlement	53,531	55,404
	148,727	139,948
TOTAL EQUITY AND LIABILITIES	342,490	325,856

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

	For the period Jan 1–Mar 31 2017 (unaudited)	For the period Jan 1–Mar 31 2016 (unaudited, restated)
OPERATING ACTIVITIES		
Profit/(loss) before tax	7,619	6,118
Total adjustments:	-20,396	-10,562
Depreciation and amortisation	1,475	1,380
Foreign exchange gains/(losses)	5	46
Interest and profit distributions (dividends)	314	252
Gain/(loss) on investing activities	3	90
Balance-sheet valuation of derivative instruments	-5,310	-1,213
Change in provisions	-1,820	-271
Change in inventories	667	445
Change in receivables	1,793	4,306
Change in current liabilities (other than financial liabilities)	-5,556	-7,725
Change in accruals, deferrals and contracts	-12,277	-7,953
Other adjustments	311	81
Income tax paid/recovered	-	-915
Net cash from operating activities	-12,778	-5,360
INVESTING ACTIVITIES		
Cash provided by investing activities	83	303
Proceeds from disposal of intangible assets and property, plant and equipment	65	218
Other inflows from financial assets	18	84
Cash used in investing activities	8,470	15,795
Investments in intangible assets, property, plant and equipment, and investment property	2,402	2,393
Acquisition of shares in related entities	5,068	13,403
Other cash used in investing activities	1,000	-
Net cash from investing activities	-8,387	-15,493
FINANCING ACTIVITIES		
Cash provided by investing activities	19,761	56
Borrowings and other debt instruments	19,761	56
Cash used in investing activities	594	2,734
Repayment of borrowings and other debt instruments	-	2,230
Payment of finance lease liabilities	251	206
Interest paid	343	298
Net cash from financing activities	19,167	-2,678
Total net cash	-1,997	-23,530
Net change in cash, including:	-2,081	-22,055
- effect of exchange rate fluctuations on cash held	-84	-250
Cash at beginning of the period	19,056	49,688
Cash at end of period	17,059	26,157

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

	Share capital	Statutory reserve funds	Hedging reserve	Capital reserves	Other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at Jan 1 2017	3,616	111,206	-2,313	1,263	9,096	30,869	153,737
Profit/(loss) for the period	-	-	-	-	-	6,118	6,118
Other comprehensive income	-	-	3,424	-	-	-	3,424
Total comprehensive income for the year	-	-	3,424	-	-	6,118	9,542
Management stock options	-	-	-	-	311	-	311
Equity as at Mar 31 2017 (unaudited)	3,616	111,206	1,111	1,263	9,407	36,987	163,590

	Share capital	Statutory reserve funds	Hedging reserve	Capital reserves	Other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at Jan 1 2016	3,704	132,048	-1,891	16,780	8,525	-14,422	144,745
Profit/(loss) for the period	-	-	-	-	-	4,643	4,643
Other comprehensive income	-	-	2,732	-	-	-29	2,732
Total comprehensive income for the year	-	-	2,732	-	-	4,614	7,346
Management stock options	-	-	-	-	132	-	132
Equity as at Mar 31 2016 (unaudited)	3,704	132,048	841	16,780	8,657	-9,808	152,223

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

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

	Share capital	Statutory reserve funds	Hedging reserve	Capital reserves	Other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at Jan 1 2016	3,704	132,048	-1,891	16,780	8,525	-14,422	144,745
Profit/(loss) for the period	-	-	-	-	-	11,779	11,779
Other comprehensive income	-	-	-423	-	-	-	-423
Total comprehensive income for the year	-	-	-423	-	-	11,779	11,356
Dividend	-	-3,007	-	-	-	-	-3,007
Cancellation of treasury shares	-88	-	-	88	-	-	-
Disposal of own shares	-	-29	-	100	-	-	71
Management stock options	-	-	-	-	571	-	571
Coverage of loss brought forward	-	-33,512	-	-	-	33,512	-
Transfer from capital reserve to statutory reserve funds	-	15,705	-	-15,705	-	-	-
Equity as at Dec 31 2016 (restated)	3,616	111,206	-2,313	1,263	9,096	30,869	153,737



**SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2017**

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, VIII 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,
- aluminium heat treatment systems (Aluminium Process),
- atmosphere furnaces,
- melting furnaces.

In 2017, the CAB segment was combined with the Aluminium Process segment. The segments’ data for the period January 1st – March 31st 2016 were combined for presentation purposes.

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

- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,
- SECO/WARWICK GmbH,
- SECO/WARWICK Germany GmbH,
- SECO/WARWICK Allied Pvt. Ltd. (Mumbai) India,
- ALLIED FURNACES PVT. LTD.,
- SECO/WARWICK France,
- SECO/WARWICK Services Sp. z o.o.,
- SECO/WARWICK of Delaware, Inc.,
- Retech Tianjin Holdings LLC,
- SECO WARWICK USA HOLDING LLC,
- SECO VACUUM TECHNOLOGIES LLC.

SECO / WARWICK of Delaware Inc, Retech Tianjin Holdings LLC, SECO WARWICK USA HOLDING LLC are not consolidated since their contribution to the Group’s financial statements is immaterial.

The Group has one associate:

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

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

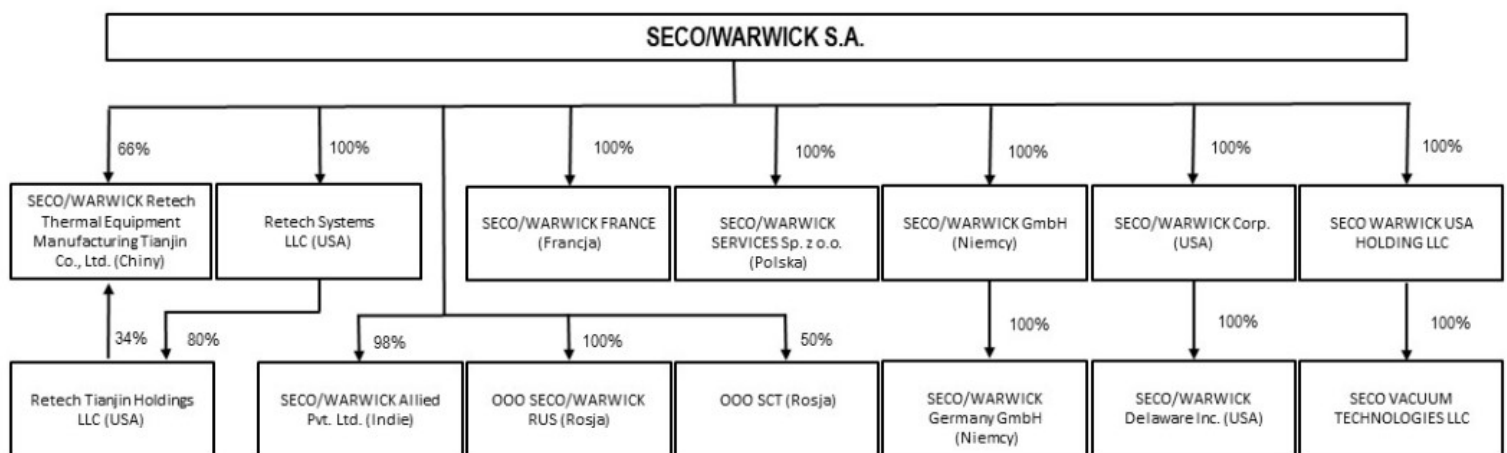
Table: Structure of the SECO/WARWICK Group as at March 31st 2017:

Company	Registered office	Business profile	Method of consolidation / accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin	Manufacture of metal heat treatment equipment Holding equity interests and providing strategic management services	N.A.	N.A.
Direct and indirect subsidiaries				
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 speciality alloys	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of metal heat treatment equipment	Full	93%
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%
ALLIED FURNACES 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%

THE SECO/WARWICK GROUP

 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

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%
SECO/WARWICK Services Sp. z o.o.	Świebodzin	Repair and maintenance services	Full	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	A holding company	Full	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces	Full	100%



Organisation of the Group:

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

After March 31st 2017 and until the publication of this Report, there were no changes in the composition of the SECO/WARWICK 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 złoty ("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.

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

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 IX of the 2016 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 XI of the 2016 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	31.03.2017	31.12.2016	31.03.2016
Average exchange rate for the period*	4.2891	-	4.3559
Exchange rate effective for the last day of the period	4.2198	4.4240	-

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

Items of assets, equity and liabilities in the interim condensed 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

Key consolidated financial data	Q1 YTD Jan 1–Mar 31			
	2017	2016	2017	2016
	(PLN '000)		(EUR '000)	
Revenue	130,714	134,048	30,476	30,774
Cost of sales	-110,616	-106,441	-25,790	-24,436
Operating profit/(loss)	-2,160	5,732	-503	1,316
Profit/(loss) before tax	1,085	5,441	253	1,249
Net profit/(loss) attributable to owners of the parent	410	2,528	96	580
Net cash flows from operating activities	-27,475	-7,252	-6,406	-1,665
Net cash flows from investing activities	2,519	-2,310	587	-530
Net cash flows from financing activities	23,173	-6,380	5,403	-1,465
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Total assets	525,766	518,717	124,595	117,251
Total liabilities	325,955	318,985	77,244	72,103
including current liabilities	267,313	258,836	63,347	58,507
Equity	199,812	199,731	47,351	45,147
Share capital	3,616	3,616	857	817

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

Separate financial highlights	Q1 YTD Jan 1–Mar 31			
	2017	2016	2017	2016
	(PLN '000)		(EUR '000)	
Revenue	66,214	77,584	15,438	17,811
Cost of sales	-55,170	-63,935	-12,863	-14,678
Operating profit/(loss)	3,471	5,694	809	1,307
Profit/(loss) before tax	7,619	6,118	1,776	1,404
Net profit/(loss)	6,118	4,643	1,426	1,066

THE SECO/WARWICK GROUP

 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

Net cash flows from operating activities	-12,778	-5,360	-2,979	-1,230
Net cash flows from investing activities	-8,387	-15,493	-1,955	-3,557
Net cash flows from financing activities	19,167	-2,678	4,469	-615
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Total assets	342,490	325,856	81,163	73,656
Total liabilities	178,900	172,119	42,395	38,906
including current liabilities	148,727	139,948	35,245	31,634
Equity	163,590	153,737	38,767	34,751
Share capital	3,616	3,616	857	817



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD
JANUARY 1ST–MARCH 31ST 2017**

Selected supplementary information

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

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 sales and total revenue and income of the Group:

Item	Jan 1–Mar 31 2017	Jan 1–Mar 31 2016
Sale of goods and services	128,904	130,986
Sales of merchandise and materials	1,810	3,061
TOTAL sales revenue	130,714	134,048
Other income	2,185	1,848
Finance income	4,791	1,440
TOTAL revenue and income	137,690	137,336

OPERATING SEGMENTS

For the period Jan 1–Mar 31 2017	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Thermal	Aluminium Process	Melting Furnaces	Aftersales	Total			
Total segment revenue	31,783	13,108	42,194	22,076	21,071	130,233	-	481	130,714
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-
Total segment expenses	-25,118	-13,154	-35,051	-21,114	-15,033	-109,471	-	-1,145	-110,616
Gross profit/(loss)	6,665	-46	7,143	962	6,038	20,762	-	-664	20,098
Operating income								2,185	2,185
Distribution costs								-9,960	-9,960
Administrative expenses								-14,000	-14,000
Operating expenses								-483	-483
Segment profit/(loss) on operating activities									-2,160
Finance income								4,897	4,897
Finance costs								-1,633	-1,633
Share in profit of associate								-20	-20
Profit before tax									1,085
Actual tax expense								-591	-591
Profit/(loss) from continuing operations									494
Profit/(loss) from discontinued operations								-	0
Profit/(loss) attributable to non-controlling interests								84	84
Net profit/(loss) attributable to owners of the parent									410

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

For the period Jan 1–Mar 31 2016	Continuing operations						Discontinued operations	Unallocated items	Total
	Vacuum Furnaces	Thermal	Aluminium Process	Melting Furnaces	Aftersales	Total			
Total segment revenue	27,266	7,893	24,853	51,530	20,839	132,380	-	1,668	134,048
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-	-
Total segment expenses	-20,937	-6,895	-19,686	-44,251	-12,698	-104,468	-	-1,973	-106,441
Gross profit/(loss)	6,329	998	5,166	7,279	8,140	27,912		-306	27,607
Operating income								1,848	1,848
Distribution costs								-8,777	-8,777
Administrative expenses								-13,570	-13,570
Operating expenses								-1,376	-1,376
Segment profit/(loss) on operating activities									5,732
Finance income								1,440	1,440
Finance costs								-1,679	-1,679
Share in profit of associate								-52	-52
Profit before tax									5,441
Actual tax expense								-1,768	-1,768
Profit/(loss) from continuing operations									3,673
Profit/(loss) from discontinued operations								-1,109	-1,109
Profit/(loss) attributable to non-controlling interests								36	36
Net profit/(loss) attributable to owners of the parent									2,528

THE SECO/WARWICK GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–MARCH 31ST 2017

OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Mar 31 2017	Jan 1–Mar 31 2016
Reversal of provisions	-	859
Gain on disposal of property, plant and equipment	1,395	3
Penalties and compensation/damages received	7	143
Income from re-invoicing	-	16
Income from lease of tangible assets and investment property	320	442
Grant for development work	254	86
Other	209	300
Total other income	2,185	1,848

OTHER EXPENSES	Jan 1–Mar 31 2017	Jan 1–Mar 31 2016
Impairment losses on receivables	268	586
Loss on disposal of property, plant and equipment	2	12
Court expenses, compensation/damages, penalties	1	18
Revaluation of tangible assets	25	-
Cost of lease of tangible assets	67	-
Cost of discontinued production	-	339
Donations	-	44
Decommissioning of a tangible asset	21	
Other	99	377
Total other expenses	483	1,376

FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Mar 31 2017	Jan 1–Mar 31 2016
Interest income	192	226
Gain on derivative instruments	4,562	-
Net foreign exchange gains	106	1,214
Other	37	-
Total finance income	4,897	1,440

FINANCE COSTS	Jan 1–Mar 31 2017	Jan 1–Mar 31 2016
Interest on bank loans	1,182	1,148
Loss on derivative instruments at maturity	298	458
Other	153	72
Total finance costs	1,633	1,679

THE SECO/WARWICK GROUP

PROPERTY, PLANT AND EQUIPMENT

In the period January 1st–March 31st 2017, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 3,074 thousand.

Item	31.03.2017	31.12.2016
Tangible assets	86,261	95,554
Tangible assets under construction	3,419	2,738
Property, plant and equipment	89,681	98,292

IMPAIRMENT LOSSES ON ASSETS

Impairment losses	31.03.2017	31.12.2016	31.03.2016
Trade receivables	18,056	18,508	19,158
Equity interests	44,946	44,946	31,429
Inventories	2,755	2,906	2,366
Tangible assets	2,440	2,429	858
Total impairment losses	68,197	68,789	53,810

DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

On April 27th 2017, the Supervisory Board issued a positive opinion on the Management Board's proposal to pay the shareholders dividend for 2016 in a total amount of PLN 4,947,027.54 (four million, nine hundred and forty-seven thousand, twenty-seven złoty, fifty-four grosz). Dividend per share was PLN 0.51. The dividend record date and the dividend payment date are July 4th 2017 and July 18th 2017, respectively. The Supervisory Board requested the General Meeting to adopt a relevant resolution.

CAPITAL COMMITMENTS

As at March 31st 2017, the SECO/WARWICK Group had capital commitments related to property, plant and equipment of PLN 193 thousand. The funds were allocated for the purchase of new plant and equipment.

DISCONTINUED OPERATIONS

In connection with the sale of SECO/WARWICK do Brasil Indústria de Fornos LTDA. of Jundai (Brazil), the profit/(loss) from discontinued operations was recognised as a separate item in the statement of comprehensive income for 2016, in accordance with IFRS 5.34.

The table below presents discontinued operations.

	For the period Jan 1–Mar 31 2017
Revenue from sale of finished goods	1,857
Revenue from sale of merchandise and materials	-
Revenue	1,857
Finished goods sold	-2,054
Merchandise and materials sold	-
Cost of sales	-2,054
Gross profit/(loss)	-197

THE SECO/WARWICK GROUP

Other income	91
Distribution costs	-212
Administrative expenses	-693
Other expenses	-3
Operating profit/(loss)	-1,013
Finance income	0
Finance costs	-96
Profit/(loss) before tax	-1,109
Actual tax expense	-
Net profit/(loss)	-1,109
Settlement of sales	
Profit/(loss) from discontinued operations	-1,109

OFF-BALANCE SHEET CONSOLIDATED ITEMS

Contingent liabilities

Contingent liabilities under guarantees and sureties issued amounted to PLN 69,223 thousand as at March 31st 2017, and to PLN 68,429 thousand as at the end of 2016. 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

SETTLEMENTS RELATED TO COURT CASES

For detailed information on court cases in 2016, see Note 37 to the consolidated financial statements for the period ended December 31st 2016. By the date of issue of these financial statements, the Company had not received any additional information.

Consistency of the accounting policies and computation methods applied in the preparation of the interim report for Q1 2017

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.

THE SECO/WARWICK GROUP

Types and amounts of changes in estimates disclosed in previous interim periods of the financial year 2017 or changes in estimates disclosed in previous financial years if they have a material bearing on Q1 2017.

In the business of SECO/WARWICK S.A. and the SECO/WARWICK Group, there were no changes in estimates disclosed in the preceding financial years that would, due to their type or amount, have a material bearing on the Company's or the Group's results for Q1 2017.

Issue, redemption and repayment of debt and equity securities

No such events occurred.

Earnings per share

Item	31.03.2017	31.03.2016
Net profit from continuing operations attributable to shareholders	410	3,637
Profit/(loss) from discontinued operations attributable to shareholders	-	-1,109
Net profit attributable to owners of the parent	410	2,528
Interest on redeemable preference shares convertible into ordinary shares	-	-
Net profit attributable to holders of ordinary shares, used to calculate diluted earnings per share	410	2,528
Weighted average number of outstanding ordinary shares, used to calculate basic earnings per share	10,298,554	10,737,837
Earnings per share	0.04	0.24
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	0.04	0.24

Material events subsequent to the end of Q1 2017, not disclosed in the financial statements for Q1 2017 but potentially having a material bearing on future performance of the SECO/WARWICK Group

No such events occurred.

Other supplementary information

1. Material achievements and failures of SECO/WARWICK S.A. and the Group in Q1 2017

In Q1 2017, sales rose 2.5% on Q1 2016, to PLN 130.7m. The highest increases were recorded in the segments: Aluminium Process (+70%, especially at SECO/WARWICK Corp. and SECO/WARWICK Retech), Atmosphere Furnaces (+66%), and Vacuum Furnaces (+16%). Sales in the Aftersales segment remained broadly unchanged on the comparative period (+1.1%), while the Melting Furnaces segment posted a major decrease (-57.2%).

In Q1 2017, the Group companies secured contracts with an aggregate value of PLN 90m. The shares of the Vacuum Furnaces, Aluminium Process, and Melting Furnaces segments in secured contracts are 33%, 24% and

22%, respectively. In Q1 2016, the value of secured contracts was PLN 144m. The order book value fell by 7%, from PLN 429m at the end of Q1 2016 to PLN 403m at the end of Q1 2017.

In Q1 2017, the Group's average gross margin fell to 15.4%, from 20.6% in Q1 2016, mainly as a result of shrinking margins of the Atmosphere Furnaces segment (0% vs 12.6% in Q1 2016) and the Melting Furnaces segment (4.4% vs 14.1% in Q1 2016).

Distribution costs and administrative expenses rose by 7.2% (PLN 24m in Q1 2017 compared with PLN 22.3m a year earlier). Valuation of futures transactions made to hedge currency exposure, in an amount of PLN 4.6m, had a significant effect on the Company's financial result.

The Management Board is not aware of any material failures at the parent or any of its direct or indirect subsidiaries occurring in the reporting period or before the publication date of this Report, i.e. May 15th 2017.

2. Factors and events, especially of a non-recurring nature, with a material bearing on the financial performance in Q1 2017

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 2017.

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

In Current Report No. 1/2017, referring to Current Report No. 26/2016 of October 31st 2016, the Management Board of SECO/WARWICK S.A. announced that on January 2nd 2017 the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, registered the merger of the Company with its subsidiary, SECO/WARWICK EUROPE sp. z o.o. of Świebodzin.

The merger was effected pursuant to Art. 492.1.1 of the Commercial Companies Code, i.e. through the transfer of all assets of SECO/WARWICK EUROPE Sp. z o.o. to SECO/WARWICK S.A. by way of universal succession. As a result of the merger, SECO/WARWICK S.A., as the acquirer, assumed all the rights and obligations of SECO/WARWICK EUROPE Sp. z o.o., which was dissolved without liquidation proceedings, as of the date of its deletion from the register.

As SECO/WARWICK S.A. was the sole owner of SECO/WARWICK EUROPE Sp. z o.o., the merger was effected under Art. 515.1 of the Commercial Companies Code, i.e. without a share capital increase at SECO/WARWICK S.A.

On March 28th 2017, the Company increased the share capital of the subsidiary SECO/WARWICK Retech of China by USD 1,000,000.00 (PLN 3,925,900.00 translated at the mid exchange rate quoted by the NBP for March 27th 2017), thus increasing its shareholding in S/W Retech to 93.13%.

In Q1 2017, 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.

4. Management Board's position on the feasibility of meeting any previously published forecasts for 2017 in light of the results presented in the Q1 2017 report

The SECO/WARWICK Management Board did not publish any forecasts for 2017 concerning the Company's or the Group's financial performance.

5. 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 (2016 full-year report)

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total vote at the General Meeting as at the date of issue of this Report.

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at General Meeting
SW Holding	3,387,139	32.89%	3,387,139	34.92%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	11.58%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,046,573	10.16%	1 046,573	10.79%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.57%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	6.19%
Metlife OFE	577,470	5.61%	577,470	5.95%

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

SECO/WARWICK S.A. holds 598,500 treasury shares, representing 5.81% of the share capital. The Company does not exercise voting rights in respect of its treasury shares.

From the date of issue of the full-year report for 2016, i.e. April 27th 2017, to the date of issue of the Q1 2017 report, there were no changes in large holdings of Company shares.

6. 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 (2016 full-year report)

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

	27.04.2017			Decrease/increase	15.05.2017			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	
Management Board								
Paweł Wyrzykowski	254,558	2.47%	2.47%	-	254,558	2.47%	2.47%	50,912
Wojciech Peret	4,000	0.04%	0.04%	-	4,000	0.04%	0.04%	800
Sławomir Woźniak	-	-	-	-	-	-	-	-
Bartosz Klinowski	-	-	-	-	-	-	-	-

Supervisory Board								
Andrzej Zawistowski	65,000	0.63%	0.63%	-	65,000	0.63%	0.63%	13,000
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Henryk Pilarski	10	0.0001%	0.0001%	-	10	0.0001%	0.0001%	2
James A. Goltz	-	-	-	-	-	-	-	-
Marcin Murawski	-	-	-	-	-	-	-	-
Paweł Tamborski	-	-	-	-	-	-	-	-
Commercial proxy								
Piotr Walasek	19,335	0.19%	0.19%	-	19,335	0.19%	0.19%	3,867
Total	352,679	3.42%	3.42%	-	352,679	3.42%	3.42%	70,536

Item	27.04.2017	15.05.2017
Number of shares	10,298,554	10,298,554
Par value per share	0.20	0.20
Share capital	2,059,710.80	2,059,710.80

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.

7. Material court, arbitration and administrative proceedings

In Q1 2017, neither the Company nor any other SECO/WARWICK Group company was party to any proceedings whose value (whether jointly or individually) would exceed 10% of the Company's equity.

7a. Other material proceedings

For detailed information on material proceedings in 2016, see Note 37 to the consolidated financial statements for the period ended December 31st 2016. By the date of issue of these financial statements, the Company had not received any additional information.

8. Transaction or a series of transactions concluded by the Company or 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 Q1 2017, SECO/WARWICK S.A. and its subsidiaries did not enter into any material transactions with related parties other than routine transactions executed on arm's length terms.

9. 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 2017, 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.

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

In Q1 2017, no events occurred in the SECO/WARWICK Group's business which in the Company's opinion would be material for the assessment of its personnel, assets, financial condition and financial result or changes therein, or for the assessment of the 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.

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

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").

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

- The Incentive Scheme is effective for 2016, 2017 and 2018.
- The Incentive Scheme 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 SECO/WARWICK 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:

PK _t	–	the Capital Bonus to be paid in a given financial year,
Div _t	–	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. 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 2017, the Objective is set at PLN 18m.

In Current Report No. 10/2017, the Management Board of SECO/WARWICK S.A. announced that on April 27th 2017 the Company’s Supervisory Board, having examined the Company’s and its Group’s audited financial information, passed a resolution to review the Individual Objectives and the Joint Objective of the Company’s Incentive Scheme, defined in the Rules of the Incentive Scheme (which was approved by a Supervisory Board resolution of April 23rd 2015), related to the achievement of specific operating and financial metrics for 2016.

Based on the review findings, the Supervisory Board granted to the eligible Scheme participants 81,657 share options, conferring rights to acquire 81,657 Company shares at a price of PLN 0.20 per share. Of that number, 73,393 share options were granted to the Management Board members and the commercial proxy.