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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2019

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2019

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

	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from sale of finished goods and services	330,125	391,771	104,239	130,475
Revenue from sale of merchandise and materials	7,199	8,550	1,701	1,828
Revenue	337,324	400,322	105,939	132,303
Cost of finished goods sold and services rendered	-251,558	-309,032	-79,010	-103,557
Cost of merchandise and materials sold	-6,278	-8,250	-1,452	-2,027
Cost of sales	-257,836	-317,283	-80,463	-105,584
Gross profit/(loss)	79,488	83,039	25,477	26,719
Other income	2,440	3,818	434	779
Distribution costs	-24,431	-26,364	-7,208	-8,154
Administrative expenses	-38,267	-39,045	-12,403	-13,944
Impairment of receivables and contract assets	-1,177	-602	222	-363
Other expenses	-1,501	-575	-675	267
Operating profit/(loss)	16,552	20,271	5,846	5,305
Finance income	2,624	1,317	2,228	-1,337
Finance costs	-3,521	-4,401	-1,751	-1
Share of net profit/(loss) of associates	-96	63	-8	24
Profit/(loss) before tax	15,559	17,250	6,316	3,991
Income tax	-3,422	-3,850	-1,893	-900
Net profit/(loss) from continuing operations	12,137	13,401	4,423	3,091
Profit/(loss) from discontinued operations	-	-	-	-
Net profit/(loss)	12,137	13,401	4,423	3,091
Net profit/(loss) attributable to				
Owners of the parent	11,706	13,308	4,303	3,053
Non-controlling interests	432	93	119	38

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Interim condensed consolidated financial statements
for the period January 1st–September 30th 2019

OTHER COMPREHENSIVE INCOME:

Items that will not be reclassified to profit or loss:

Actuarial gains/(losses) on a defined benefit pension plan	-	758	-8	11
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Items that may be reclassified to profit or loss:

Valuation of cash flow hedging derivatives	123	-3,137	-597	1,970
Exchange differences on translating foreign operations, including income tax effect	3,250	2,361	3,546	-1,057
Income tax on other comprehensive income	-23	331	114	-378
Total other comprehensive income, net	3,350	312	3,054	545
Total comprehensive income	15,487	13,713	7,476	3,636

Total comprehensive income attributable to

Owners of the parent	14,943	13,683	7,343	3,600
Non-controlling interests	544	30	134	36

EARNINGS PER SHARE:

- basic earnings/(loss) per share attributable to owners of the parent	1.52	1.41	0.75	0.37
- diluted earnings/(loss) per share attributable to owners of the parent	1.52	1.41	0.75	0.37

The effect of dilutive instruments on earnings per share is immaterial.

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

	Sep 30 2019 (unaudited)	Dec 31 2018 (audited)
Non-current assets		
Property, plant and equipment	70,817	80,338
Right-of-use assets	12,749	-
Investment property	340	358
Goodwill	41,215	38,816
Intangible assets	54,471	50,201
Long-term receivables	2,596	5,313
Other financial assets	262	30
Deferred tax assets	31	87
	182,481	175,143
Current assets		
Inventories	64,757	67,259
Trade receivables	51,158	54,994
Income tax assets	330	323
Other short-term receivables	18,225	14,927
Cash and cash equivalents	23,644	53,602
Other financial assets	500	1,354
Other non-financial assets	3,951	3,316
Contract assets	108,263	102,523
	270,828	298,298
Assets held for sale	-	-
TOTAL ASSETS	453,309	473,441

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

	Sep 30 2019 (unaudited)	Dec 31 2018 (audited)
Equity		
Share capital	3,616	3,616
Statutory reserve funds	205,773	193,449
Other components of equity	13,615	12,067
Hedging reserve	-486	-586
Translation differences	24,320	21,182
Retained earnings / accumulated losses	-59,994	-55,357
Equity attributable to owners of the parent	186,843	174,371
Non-controlling interests	490	-54
	187,334	174,317
Non-current liabilities		
Borrowings	38	1,719
Other financial liabilities	577	178
Lease liabilities	7,632	4,954
Deferred tax liabilities	14,379	11,409
Provision for retirement and similar benefits	2,685	2,808
Deferred income	15,363	14,932
Contract liabilities	516	1,537
	41,190	37,538
Current liabilities		
Borrowings	67,680	67,794
Other financial liabilities	1,542	1,019
Lease liabilities	3,910	1,929
Trade payables	40,467	45,989
Other current liabilities	11,382	11,065
Provision for retirement and similar benefits	9,365	9,773
Other provisions	11,692	12,947
Deferred income	2,181	1,127
Contract liabilities	76,566	109,943
	224,785	261,586
Liabilities directly related to discontinued operations	-	-
TOTAL EQUITY AND LIABILITIES	453,309	473,441

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

	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before tax from continuing operations	15,559	17,250
Profit/(loss) before tax from discontinued operations	-	-
Profit/(loss) before tax	15,559	17,250
Total adjustments:	-28,607	-19,945
Share of net profit of associates	192	-3
Depreciation and amortisation	7,081	6,990
Foreign exchange gains/(losses)	404	132
Interest and profit distributions (dividends)	1,454	1,890
Gain/(loss) on investing activities	-119	-540
Balance-sheet valuation of derivative instruments	1,514	3,701
Change in provisions	-2,455	8,721
Change in inventories	3,760	-23,861
Change in receivables	5,894	-14,918
Change in current liabilities (other than financial liabilities)	-4,685	22,438
Change in accruals, deferrals and contracts	-43,353	-26,711
Other adjustments*	1,704	2,217
Income tax paid/refunded	-133	-875
Net cash from operating activities	-13,181	-3,570
INVESTING ACTIVITIES		
Cash provided by investing activities	1,410	1,858
Proceeds from disposal of intangible assets and property, plant and equipment	1,342	1,359
Other inflows from financial assets	68	499
Cash used in investing activities	8,716	19,062
Investments in intangible assets, property, plant and equipment, and investment property	8,716	17,008
Other cash used in investing activities	-	2,054
Net cash from investing activities	-7,306	-17,204
FINANCING ACTIVITIES		
Cash provided by financing activities	7,273	9,666
Borrowings	6,662	9,134
Grants	610	532
Cash used in financing activities	16,931	6,483
Repayment of borrowings	9,223	3,089
Dividends and other distributions to owners	4,019	-
Other financial liabilities	-	3
Payment of finance lease liabilities	2,315	1,556
Interest paid	1,374	1,835
Net cash from financing activities	-9,659	3,183
Total net cash	-30,145	-17,591
Net change in cash, including:	-29,959	-17,302
- effect of exchange rate fluctuations on cash held	187	72
Cash at beginning of period	53,602	52,369
Cash at end of period	23,644	34,850

*Other adjustments are mainly management stock options.

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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 2019	3,616	193,449	-586	12,067	21,182	-55,358	174,372	-54	174,317
Profit/(loss) for the period	-	-	-	-	-	11,706	11,706	432	12,137
Other comprehensive income	-	-	99	-	3,138	-	3,237	112	3,350
Total comprehensive income for the year	-	-	99	-	3,138	11,706	14,943	544	15,487
Management stock options	-	-	-	1,548	-	-	1,548	-	1,548
Distribution of profit (dividend)	-	-	-	-	-	-4,019	-4,019	-	-4,019
Transfer of retained earnings/deficit to statutory reserve funds	-	12,323	-	-	-	-12,323	-	-	-
Equity as at Sep 30 2019 (unaudited)	3,616	205,773	-486	13,615	24,320	-59,994	186,844	490	187,333
Equity as at Jan 1 2018	3,616	176,143	2,106	10,088	17,439	-58,144	151,248	-58	151,190
Effect of IFRS 15	-	-	-	-	-	-924	-924	-	-924
Equity as at Jan 1 2018 following application of IFRS 15	3,616	176,143	2,106	10,088	17,439	-59,068	150,325	-58	150,266
Profit/(loss) for the period	-	-	-	-	-	13,308	13,308	93	13,401
Other comprehensive income	-	-	-2,541	-	2,424	493	375	-63	312
Total comprehensive income for the year	-	-	-2,541	-	2,424	13,800	13,683	30	13,713
Management stock options	-	-	-	1,637	-	-	1,637	-	1,637
Distribution of profit (dividend)	-	-	-	-	-	-	-	-	-
Transfer of retained earnings/deficit to statutory reserve funds	-	17,307	-	-	-	-17,307	-	-	-
Equity as at Sep 30 2018 (unaudited)	3,616	193,449	-435	11,725	19,863	-62,574	165,644	-27	165,616

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Interim condensed consolidated financial statements
for the period January 1st–September 30th 2019



INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–SEPTEMBER 30TH 2019

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

	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from sale of finished goods and services	191,614	203,991	60,657	63,098
Revenue from sale of merchandise and materials	9	138	1	-
Revenue	191,623	204,129	60,657	63,098
Cost of finished goods sold and services rendered	-150,394	-161,826	-46,393	-51,144
Cost of merchandise and materials sold	-8	-136	-1	-
Cost of sales	-150,402	-161,962	-46,393	-51,144
Gross profit/(loss)	41,221	42,168	14,264	11,954
Other income	2,376	4,397	950	779
Distribution costs	-10,490	-10,305	-2,742	-3,217
Administrative expenses	-18,170	-15,909	-7,250	-4,602
Impairment of receivables and contract assets	-137	-361	52	220
Other expenses	-1,191	-874	-350	-202
Operating profit/(loss)	13,609	19,116	4,924	4,932
Finance income	2,148	1,166	1,736	-782
Finance costs	-2,757	-4,057	-1,438	242
Profit/(loss) before tax	13,000	16,225	5,222	4,391
Income tax	-2,536	-2,981	-1,012	-334
Net profit/(loss) from continuing operations	10,464	13,244	4,210	4,057
Profit/(loss) from discontinued operations	-	-	-	-
Net profit/(loss)	10,464	13,244	4,210	4,057
OTHER COMPREHENSIVE INCOME:				
Cash flow hedges	123	-3,137	-598	1,970
Income tax on other comprehensive income	-23	596	114	-374
Other comprehensive income, net	99	-2,541	-485	1,596
Total comprehensive income	10,563	10,703	3,725	5,653
Earnings/(loss) per share (PLN):				
- basic and diluted, from net profit/(loss)	1.07	1.29	0.43	0.39

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

	Sep 30 2019 (unaudited)	Dec 31 2018 (audited)
Non-current assets		
Property, plant and equipment	53,214	61,186
Right-of-use assets	9,955	-
Investment property	340	358
Intangible assets	53,621	49,192
Long-term receivables	2,562	5,263
Investments in related parties	58,330	57,593
Other financial assets	262	30
Deferred tax assets	-	-
	178,284	173,622
Current assets		
Inventories	32,026	29,207
Trade receivables	54,171	43,646
Income tax assets	16	16
Other short-term receivables	13,984	8,906
Cash and cash equivalents	7,594	39,770
Other financial assets	1,500	1,354
Other non-financial assets	2,017	2,070
Contract assets	79,457	73,835
	190,765	198,804
TOTAL ASSETS	369,049	372,426

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

	Sep 30 2019 (unaudited)	Dec 31 2018 (audited)
Equity		
Share capital	3,616	3,616
Statutory reserve funds	141,372	130,960
Hedging reserve	-486	-586
Other components of equity	13,615	12,067
Retained earnings / accumulated losses	32,079	36,046
	190,197	182,103
Non-current liabilities		
Borrowings	-	1,565
Other financial liabilities	577	178
Lease liabilities	6,203	4,631
Deferred tax liabilities	6,004	3,556
Provision for retirement and similar benefits	838	838
Deferred income	15,363	14,932
Contract liabilities	516	1,537
	29,501	27,237
Current liabilities		
Borrowings	60,149	62,047
Other financial liabilities	1,542	1,019
Lease liabilities	2,467	1,385
Trade payables	30,472	37,985
Other current liabilities	7,586	7,306
Provision for retirement and similar benefits	6,103	6,068
Other provisions	7,072	7,106
Deferred income	683	1,037
Contract liabilities	33,276	39,133
	149,351	163,086
TOTAL EQUITY AND LIABILITIES	369,049	372,426

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

	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before tax	13,000	16,225
Total adjustments:	-26,801	-7,106
Depreciation and amortisation	4,639	5,558
Foreign exchange gains/(losses)	-184	-99
Interest and profit distributions (dividends)	1,248	1,559
Gain/(loss) on investing activities	76	432
Balance-sheet valuation of derivative instruments	1,514	3,701
Change in provisions	2	-1,528
Change in inventories	-2,819	-5,499
Change in receivables	-12,901	5,466
Change in current liabilities (other than financial liabilities)	-6,942	8,209
Change in accruals, deferrals and contracts	-12,981	-26,542
Other adjustments*	1,548	1,637
Income tax (paid)/refunded	-	-
Net cash from operating activities	-13,801	9,119
INVESTING ACTIVITIES		
Cash provided by investing activities	274	1,718
Proceeds from disposal of intangible assets and property, plant and equipment	229	1,271
Decrease in loans advanced	45	447
Cash used in investing activities	9,413	17,153
Investments in intangible assets, property, plant and equipment, and investment property	7,675	15,102
Acquisition of shares in related entities	737	2,051
Other cash used in investing activities	1,000	-
Net cash from investing activities	-9,138	-15,436
FINANCING ACTIVITIES		
Cash provided by financing activities	610	7,067
Borrowings	-	6,535
Grants	610	532
Cash used in financing activities	10,035	12,147
Repayment of borrowings	3,464	9,053
Dividend	4,019	-
Payment of finance lease liabilities	1,298	1,512
Interest paid	1,253	1,581
Net cash from financing activities	-9,424	-5,079
Total net cash	-32,364	-11,396

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Net change in cash, including:	-32,177	-11,324
- effect of exchange rate fluctuations on cash held	187	72
Cash at beginning of period	39,770	30,913
Cash at end of period	7,594	19,589

*Other adjustments are mainly management stock options.

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

	Share capital	Statutory reserve funds	Hedging reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at Jan 1 2019 (audited)	3,616	130,960	-586	12,067	36,046	182,103
Profit/(loss) for the period	-	-	-	-	10,464	10,464
Other comprehensive income	-	-	99	-	-	99
Total comprehensive income for the year	-	-	99	-	10,464	10,563
Allocation of profit to dividend payment	-	-	-	-	-4,019	-4,019
Transfer of retained earnings to statutory reserve funds	-	10,412	-	-	-10,412	-
Management stock options	-	-	-	1,548	-	1,548
Equity as at Sep 30 2019 (unaudited)	3,616	141,372	-486	13,615	32,079	190,197

	Share capital	Statutory reserve funds	Hedging reserve	Reserve capital and other components of equity	Retained earnings / accumulated losses	Total equity
Equity as at Jan 1 2018 (audited)	3,616	114,460	2,106	10,088	37,359	167,629
Effect of IFRS 15	-	-	-	-	-611	-611
Equity as at Jan 1 2018 following application of IFRS 15 (audited)	3,616	114,460	2,106	10,088	36,748	167,018
Profit/(loss) for the period	-	-	-	-	13,244	13,244
Other comprehensive income	-	-	-2,541	-	-	-2,541
Total comprehensive income for the year	-	-	-2,541	-	13,244	10,703
Transfer of retained earnings to statutory reserve funds	-	16,499	-	-	-16,499	-
Management stock options	-	-	-	1,637	-	1,637
Equity as at Sep 30 2018 (unaudited)	3,616	130,960	-435	11,725	33,493	179,358



**SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED**

SEPTEMBER 30TH 2019

SECO/WARWICK Group

Interim condensed consolidated financial statements
for the period January 1st–September 30th 2019

I. General information

The SECO/WARWICK Group

SECO/WARWICK S.A. (the “Company” or the “Parent”) was entered in the Business Register of the National Court Register on January 2nd 2007, by virtue of a decision issued by the District Court of Zielona Góra, 8th Commercial Division of the National Court Register, on January 2nd 2007 under No. KRS 0000271014.

The operations of the SECO/WARWICK Group are divided into five main business segments:

- Vacuum Furnaces
- aluminium heat treatment systems (Aluminium Process + Controlled Atmosphere Brazing)
- Atmosphere Furnaces (Thermal)
- Melting Furnaces
- Aftersales.

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

- SECO/WARWICK Corporation
- SECO/WARWICK Rus
- Retech Systems LLC
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.
- SECO/WARWICK Germany GmbH
- 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 Systems and Services India PVT. Ltd.

The Group has one associate:

- OOO SCT (Solnechnogorsk) Russia, in which SECO/WARWICK S.A. holds a 50% interest, conferring the right to 50% of the total voting rights in the company.

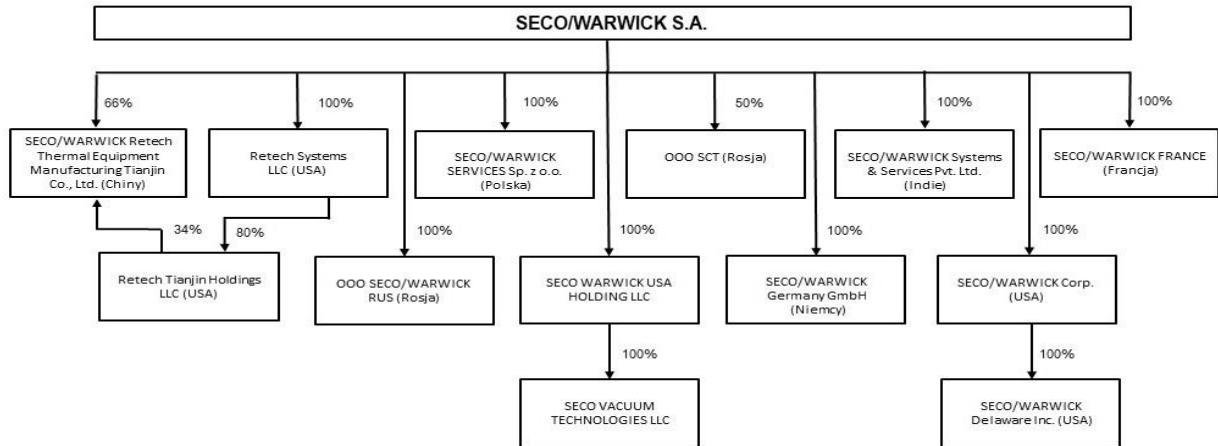
Table: Composition of the SECO/WARWICK Group as at September 30th 2019:

Company	Registered office	Principal business activity	Method of consolidation/accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin (Poland)	Holding equity interests and manufacture of equipment for metal heat treatment.	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of equipment for metal heat treatment.	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%
OOO SECO/WARWICK Rus	Moscow (Russia)	Distribution of the Group's products.	Full	100%
Retech Systems LLC	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys.	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of equipment for metal heat treatment.	Full	93%
Retech Tianjin Holdings LLC	(USA)	Holding company.	Full	80%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia.	Equity	50%
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany.	Full	100%
SECO/WARWICK France	Roissy-en-Brie (France)	Commercial and technical representation of SECO/WARWICK S.A. in France, French-speaking countries and their neighbouring countries.	Full	100%
SECO/WARWICK Services Sp. z o.o.	Świebodzin (Poland)	Repair and maintenance services.	Full	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company.	Full	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces.	Full	100%
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services.	Full	100%

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Organisation of the Group:



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

There were no changes in the composition of the SECO/WARWICK Group between September 30th 2019 and the date of issue of this Report.

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

As at the date of issue of these financial statements and as at September 30th 2019, the Management Board of SECO/WARWICK S.A. was composed of:

- Sławomir Woźniak – President of the Management Board
- Jarosław Talerzak – Vice President of the Management Board
- Bartosz Klinowski – Member of the Management Board
- Earl Good – Member of the Management Board
- Piotr Walasek – Member of the Management Board

As at the date of issue of these financial statements and as at September 30th 2019, the Supervisory Board of SECO/WARWICK S.A. was composed of:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Jacek Tucharz – Member of the Supervisory Board

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 interim condensed consolidated financial statements are presented in the złoty (“PLN”), and unless specified otherwise, all amounts are given in thousands of PLN. Exchange differences on translating items of the statement of financial position are calculated as differences between the exchange rates applicable to the opening and closing balance.

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The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with the policies applied in the preparation of the Group's full-year consolidated financial statements for the year ended December 31st 2018, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2019.

The Group applied IFRS 16 *Leases* ("IFRS 16") for the first time. In accordance with IAS 34 *Interim Financial Reporting*, in the section below Group has disclosed the nature and effect of changes in its accounting policies.

Other new or amended standards and interpretations which have been applied for the first time in 2019 do not have a material effect on the Group's interim condensed consolidated financial statements..

Material judgements and estimates

Material 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 VIII of the 2018 Consolidated Financial Statements.

Changes in accounting policies

Save for the changes described below and resulting from the introduction of new standards effective for reporting periods beginning on or after January 1st 2019, the same accounting policies as described in the consolidated financial statements prepared as at and for the year ended December 31st 2018 were applied by the Group in the preparation of these interim condensed consolidated financial statements.

IFRS 16 Leases

IFRS 16 *Leases* was published on January 13th 2016 and was endorsed by the European Union on October 31st 2017. As a result of the analyses carried out by the Group, three main categories of lease contracts have been identified:

- perpetual usufruct of land;
- property: office and warehouse buildings,
- other leases: vehicles and technical equipment.

As of January 1st 2019, the Group, as a lessee, recognises all identified lease contracts under a single model in which the lease assets (the right-of-use assets) are recognised in the statement of financial position in correspondence with the liability under lease contracts. Lease liabilities comprise future discounted lease payments for identified contracts.

The accounting treatment of those items in the statement of financial position depends on:

- Duration of lease contracts adopted for each contract type: the period includes the non-cancellable lease term, periods covered by an option to extend the lease – if the lessee (customer) is reasonably certain to exercise that option, and periods covered by an option to terminate the lease – if the lessee (customer) is reasonably certain not to exercise that option. The lease term is also determined based on the legal and customary regulations effective in Poland, as well as the nature of the Group's contracts;
- The structure of fixed and variable payments in the contract;
- The determined incremental borrowing rate where the interest rate on the lease cannot be easily determined. The discount rates adopted by the Group for the purpose of measurement in accordance with IFRS 16 were based on the interest rate on Polish treasury bonds, adjusted for a margin applied to borrowings incurred by companies with a similar credit rating. The discount rates take into account the maturity of contracts and are not differentiated by asset type.

The Group decided to apply two exemptions provided for in the standard on leases and to recognise the following types of contracts under costs:

- All contracts except car leases where the lease term is less than 12 months;
- Contracts for which the underlying asset is worth less than PLN 18 thousand.

In addition to the changes in the statement of financial position, the adoption of IFRS 16 had an effect on:

- a) the statement of profit or loss, in the following way:

- depreciation of the right-of-use asset and interest expense on the lease liability were recognised instead of operating expenses;
- b) the statement of cash flows, in the following way:
 - net cash from investing activities did not change;
 - payment of lease liabilities is recognised under financing activities.

As at January 1st 2019, the Group applied the “modified retrospective method” without restating the comparative data. The effect of application of the standard on total assets and liabilities as at January 1st 2019 was PLN 3,443 thousand (of which PLN 712 thousand are current liabilities and PLN 2,731 thousand are non-current liabilities), and results from the recognition of lease liabilities in correspondence with the right-of-use asset. To calculate the discount rate for the purposes of IFRS 16, the Group assumes that the discount rate should reflect the cost that it would have to pay to borrow the funds necessary to purchase the leased asset. The weighted average discount rate used at the initial application of the standard was 7%. Implementation of the standard had no effect on equity at January 1st 2019, as the Group decided to measure the right-of-use assets in the amount equal to the lease liability (the effect of prepaid lease payments was negligible). Therefore, no deferred tax was recognised.

	Dec 31 2018 (audited)	Effect of IFRS 16	Jan 1 2019 (restated)
Non-current assets			
Property, plant and equipment	80,338	-8,077	72,261
Right-of-use assets	-	11,520	11,520
Investment property	358	-	358
Goodwill	38,816	-	38,816
Intangible assets	50,201	-	50,201
Long-term receivables	5,313	-	5,313
Other financial assets	30	-	30
Deferred tax assets	87	-	87
	175,141	3,443	178,584
Current assets			
Inventories	67,259	-	67,259
Trade receivables	54,994	-	54,994
Income tax assets	323	-	323
Other short-term receivables	14,927	-	14,927
Cash and cash equivalents	53,602	-	53,602
Other financial assets	1,354	-	1,354
Other non-financial assets	3,316	-	3,316
Contract assets	102,524	-	102,524
	298,300	-	298,300
Assets held for sale	-	-	-
TOTAL ASSETS	473,441	3,443	476,884

	Dec 31 2018 (audited)	Effect of IFRS 16	Jan 1 2019 (restated)
Equity			
Share capital	3,616	-	3,616
Statutory reserve funds	193,449	-	193,449
Other components of equity	12,067	-	12,067
Hedging reserve	-586	-	-586
Translation differences	21,182	-	21,182
Retained earnings / accumulated losses	-55,357	-	-55,357

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Equity attributable to owners of the parent	174,371		174,371
Non-controlling interests	-54	-	-54
	174,317	-	174,317
Non-current liabilities			
Borrowings	1,719	-	1,719
Other financial liabilities	178	-	178
Lease liabilities	4,954	2,731	7,685
Deferred tax liabilities	11,409	-	11,409
Provision for retirement and similar benefits	2,808	-	2,808
Deferred income	14,932	-	14,932
Contract liabilities	1,537	-	1,537
	37,538	2,731	40,268
Current liabilities			
Borrowings	67,794	-	67,794
Other financial liabilities	1,019	-	1,019
Lease liabilities	1,929	712	2,641
Trade payables	45,989	-	45,989
Other current liabilities	11,065	-	11,065
Provision for retirement and similar benefits	9,773	-	9,773
Other provisions	12,947	-	12,947
Deferred income	1,127	-	1,127
Contract liabilities	109,943	-	109,943
	261,586	712	262,297
Liabilities directly related to discontinued operations	-	-	-
TOTAL EQUITY AND LIABILITIES	473,441	3,443	476,884

The Group's new accounting policies applicable after the adoption of IFRS 16 are presented below:

Right-of-use assets

The Group recognises right-of-use assets at the lease commencement date (i.e. the date when the underlying asset is made available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, the initial direct costs incurred and any lease payments made at or before the commencement date, less any lease incentives received. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, right-of-use assets are depreciated using the straight-line method over the shorter of the estimated life of the asset or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the lease commencement date, the Group measures lease liabilities at the present value of lease payments then outstanding. Lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives due, variable payments that depend on an index or rate, and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payment of financial penalties for terminating the lease if the lease terms grant a termination option to the Group. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition triggering the payment occurs.

When calculating the present value of lease payments, the Group uses the lessee's incremental borrowing rate on the lease commencement date if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the interest, and reduced by lease payments made. Furthermore, the carrying amount of lease liabilities is

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remeasured if the lease term, in-substance fixed lease payments or judgement as to purchase of the underlying assets change.

Short-term leases and leases of low-value assets

The Group applies the short-term exemption to its short-term lease contracts (i.e. contracts with a lease term of 12 months or less from the commencement date, containing no purchase options). The Group also applies the low value lease exemption. Lease payments under short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Material judgements and estimates in determining the lease term of contracts with extension options

The Group determines the lease term as a non-cancellable lease term, including periods covered by an option to extend the lease, if it is reasonably certain that the option will be exercised, as well as periods covered by an option to terminate the lease if it is reasonably certain that the option will not be exercised.

The Group is able to extend the lease term of certain lease contracts. The Group applies judgment to assess whether there is reasonable certainty that the extension option will be exercised, which means that it takes into account all material facts and circumstances that represent an economic incentive to extend the option or an economic penalty for its non-extension. After the commencement date, the Group reviews the lease term if a significant event or change in circumstances under its control occur which affect its ability to exercise (or not to exercise) the extension option (e.g. a change in the business strategy).

Implementation and application of IFRS 16 required the Group to make various estimates and use professional judgement, in particular with respect to reviewing the lease term under contracts concluded for an indefinite period and under contracts which granted the Group an extension option. When determining the lease term, the Group had to consider all facts and circumstances, including the existence of economic incentives to use or not to use the option to extend or terminate the contract. In determining the lease term, the Group also took into account the costs incurred to adapt the leased asset to individual needs, and in the case of lease of property – the size of the local market and the features of the leased property.

Future lease payments under operating leases as at January 1st 2019	2,122
Discount	-149
Other*	1,469
Additional lease liability recognised as at January 1st 2019	3,443
Finance lease liabilities in accordance with IAS 17 as at December 31st 2018	6,883
Lease liability as at January 1st 2019	10,326

* Applicable mainly to perpetual usufruct of land not classified as non-cancellable operating lease as at December 31st 2018

Other

a) IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation clarifies the methods for recognising and measuring income tax in accordance with IAS 12 if there is uncertainty as to its recognition. It does not apply to taxes or charges outside the scope of IAS 12, nor does it include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation applies in particular to:

- considering uncertain tax treatments separately;
- assumptions made by an entity as to the examination of tax treatment by taxation authorities;

- the manner in which an entity determines taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates;

- the manner in which an entity reassesses its judgements and estimates if facts and circumstances change.

An entity must determine whether each uncertain tax treatment should be considered separately or together with one or more other uncertain tax treatments. This determination should be based on a judgement of which approach better predicts the resolution of the uncertainty.

The interpretation has no material effect on the Group's interim condensed consolidated financial statements.

b) Amendments to IFRS 9: *Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income provided that contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within such business model as is appropriate for that classification. The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion irrespective of an event or circumstance that gives rise to early termination of the contract and regardless of which party pays or receives reasonable compensation for such early termination.

The amendments have no material effect on the Group's interim condensed consolidated financial statements.

c) Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 clarify that in the case of a plan amendment, curtailment or settlement during an annual reporting period, an entity is required to determine the current service cost for the remaining part of the period after the plan amendment, curtailment or settlement using actuarial assumptions used to remeasure the net defined benefit obligation (asset) reflecting the benefits offered as part of the plan and the plan assets after that event. An entity is also required to determine net interest for the remaining part of the period after the plan amendment, curtailment or settlement using the net defined benefit obligation (asset) reflecting the benefits offered as part of the plan and the plan assets after that event, and the discount rate used to remeasure the net defined benefit obligation (asset).

The amendments have no material effect on the Group's interim condensed consolidated financial statements.

d) Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied and which, in substance, form part of the entity's net investment in the associate or joint venture (long-term interests). This explanation is relevant as it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarify that when applying IFRS 9 an entity does not take into account either losses of an associate or joint venture or any impairment losses on the net investment in an associate or joint venture resulting from the application of IAS 28 *Investments in Associates*.

The amendments have no material effect on the Group's interim condensed consolidated financial statements.

e) Amendments to IFRS Standards 2015–2017 Cycle

- IFRS 3 *Business Combinations*

The amendments clarify that when an entity obtains control of an entity that is a joint operation, it applies requirements pertaining to business combinations achieved in stages, including remeasurement of its previously held interests in the joint operation at fair value. Thus, the acquirer remeasures all of its previously held interests in the joint operation.

The amendments have no material effect on the Group's interim condensed consolidated financial statements.

- IFRS 11 *Joint Arrangements*

The amendments clarify that a party that participates in, but does not have joint control of, a joint operation may obtain joint control of the joint operation in which the activity constitutes a business as defined in IFRS 3. In such cases, previously held interests in the joint operation are not remeasured.

The amendments have no material effect on the Group's interim condensed consolidated financial statements.

- IAS 12 *Income Taxes*

The amendments clarify that the income tax consequences of dividends are more directly linked to past transactions or events that led to distributable profits than to payments to owners. Therefore, an entity recognises the tax consequences of dividends in profit or loss, other comprehensive income or equity depending on where those past transactions or events were recognised.

The amendments have no material effect on the Group's interim condensed consolidated financial statements.

- IAS 23 *Borrowing Costs*

The amendments clarify that an entity treats all borrowings originally contracted to produce a qualifying asset as part of general borrowings when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The amendments have no material effect on the Group's interim condensed consolidated financial statements.

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

III. Financial highlights

Average EUR/PLN exchange rates quoted by the National Bank of Poland for the periods covered by these financial statements, including with respect to historical financial data, were as follows:

Financial year	Sep 30 2019	Dec 31 2018	Sep 30 2018
Average exchange rate for the period*	4.3086	-	4.2535
Exchange rate effective for the last day of the period	4.3736	4.3000	-

**) 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 consolidated statement of financial position have been translated using the EUR/PLN exchange rates quoted by the National Bank of Poland for the last day of the period.

Items of the 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:

Consolidated financial highlights:

Q3 YTD
from Jan 1 to Sep 30

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Consolidated financial highlights	2019	2018	2019	2018
	(PLN '000)		(EUR '000)	
Revenue	337,324	400,322	78,291	94,116
Cost of sales	-257,836	-317,283	-59,842	-74,594
Operating profit/(loss)	16,552	20,271	3,842	4,766
Profit/(loss) before tax	15,559	17,250	3,611	4,056
Net profit/(loss) attributable to owners of the parent	11,706	13,308	2,717	3,129
Net cash flows from operating activities	-13,181	-3,038	-3,059	-714
Net cash flows from investing activities	-7,306	-17,204	-1,696	-4,045
Net cash flows from financing activities	-9,659	2,651	-2,242	623
	Sep 30 2019	Dec 31 2018	Sep 30 2019	Dec 31 2018
Total assets	453,309	473,441	103,647	110,103
Total liabilities	265,975	299,125	60,814	69,564
Including current liabilities	224,785	261,586	51,396	60,834
Equity	187,334	174,317	42,833	40,539
Share capital	3,616	3,616	827	841

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

Financial highlights	Q3 YTD from Jan 1 to Sep 30			
	2019	2018	2019	2018
	(PLN '000)		(EUR '000)	
Revenue	191,623	204,129	44,474	47,991
Cost of sales	-150,402	-161,962	-34,907	-38,077
Operating profit/(loss)	13,609	19,116	3,159	4,494
Profit/(loss) before tax	13,000	16,225	3,017	3,814
Net profit/(loss)	10,464	13,244	2,429	3,114
Net cash flows from operating activities	-13,801	9,119	-3,203	2,144
Net cash flows from investing activities	-9,138	-15,436	-2,121	-3,629
Net cash flows from financing activities	-9,424	-5,079	-2,187	-1,194
	Sep 30 2019	Dec 31 2018	Sep 30 2019	Dec 31 2018
Total assets	369,049	372,426	84,381	86,611
Total liabilities	178,851	190,324	40,893	44,261
Including current liabilities	149,351	163,086	34,148	37,927
Equity	190,197	182,103	43,487	42,350
Share capital	3,616	3,616	827	841

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30TH 2019**

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REVENUE

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

Item	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
Revenue from sale of finished goods and services	330,125	391,771	104,239	130,475
- including revenue recognised over time	255,536	336,574	75,210	105,210
Sales of merchandise and materials	7,199	8,550	1,701	1,828
TOTAL sales revenue	337,324	400,322	105,939	132,303

Revenue by geographical markets:

Item	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
European Union	122,881	124,887	43,502	40,189
Commonwealth of Independent States	7,615	15,455	4,400	6,062
USA	113,986	160,288	29,945	51,318
Asia	72,974	77,727	20,283	26,193
Other	19,868	21,965	7,810	8,541
TOTAL revenue	337,324	400,322	105,939	132,303

All revenue is recognised by the Group in accordance with IFRS 15.

OPERATING SEGMENTS

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

Vacuum furnaces

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 are used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing.

Melting furnaces

Vacuum melting furnaces are used in the metallurgical industry for consolidation, smelting and refining of specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Their physical properties require processing in technologically advanced equipment and in high vacuum conditions.

A separate group of melting furnaces are melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines and medical implants).

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 used for gas carburising, gas nitriding and in other processes. Such furnaces are used chiefly in the automotive and metal industries, including for the manufacturing of roller bearings, as well as in commercial hardening plants and specialty industries.

Aluminium heat treatment systems (Aluminium Process + Controlled Atmosphere Brazing)

The Aluminium Process solutions offered by the Group are used in the manufacturing of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. Aluminium Process systems are also used to heat treat aluminium castings. CAB systems are used primarily in the automotive industry for brazing of heat exchangers mounted in passenger cars and heavy goods vehicles (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.

Aftersales

The Aftersales Segment offers conversion, upgrades and modification of customer-owned equipment, including equipment manufactured by third parties. This segment also includes sale of spare parts and all aftersale services.

In the case of the business lines (vacuum furnaces, melting furnaces, atmosphere furnaces, aluminium heat treatment lines), contracts with customers provide for the design, manufacture and installation of metal heat treatment equipment, as well as sale of spare parts and maintenance services.

Equipment of this type is often dependent on the customer's infrastructure, such as existing units and foundations. Furthermore, the design process of a unit is highly complex given the need to set up the equipment parameters in line with the customer's expectations.

Therefore, the vast majority of the segments' revenue is recognised throughout contract performance. In the case of aftersales, revenue is recognised upon service completion or product transfer.

Jan 1–Sep 30 2019	Continuing operations						Unallocated items	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total		
Total segment revenue	88,219	44,720	63,827	73,995	66,326	337,086	238	337,324
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
Total segment expenses	-65,771	-38,647	-41,029	-66,848	-42,665	-254,961	-2,875	-257,836
Gross profit/(loss)	22,448	6,073	22,797	7,146	23,660	82,125	-2,637	79,488

Jul 1–Sep 30 2019	Continuing operations						Other	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total		
Total segment revenue	22,961	15,795	26,253	13,412	27,368	105,790	149	105,939
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
Total segment expenses	-16,868	-12,970	-16,560	-14,491	-18,158	-79,047	-1,415	-80,463
Gross profit/(loss)	6,093	2,824	9,693	-1,078	9,210	26,743	-1,266	25,477

Jan 1–Sep 30 2018	Continuing operations						Unallocated	Total
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	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total	items	
Total segment revenue	98,152	42,246	63,987	129,070	66,671	400,125	197	400,322
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
Total segment expenses	-74,260	-35,387	-47,731	-112,900	-45,415	-315,692	-1,590	-317,283
Gross profit/(loss)	23,892	6,859	16,256	16,170	21,256	84,433	-1,393	83,039

Continuing operations								
Jul 1–Sep 30 2018	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total	Other	Total
Total segment revenue	26,724	7,265	25,038	47,795	25,490	132,313	-10	132,303
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
Total segment expenses	-18,332	-8,055	-18,875	-42,334	-17,076	-104,673	-911	-105,584
Gross profit/(loss)	8,392	-790	6,163	5,461	8,414	27,640	-921	26,719

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OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
Reversal of provisions	377	930	-175	164
Gain on disposal of property, plant and equipment	459	711	122	15
Penalties and compensation/damages received	72	410	72	-24
Licence income	310	-	103	-
Income from lease of tangible assets and investment property	689	928	223	326
Grant for development work	512	761	171	254
Other	22	79	-82	44
Total other income	2,440	3,818	434	779

OTHER EXPENSES	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
Loss on disposal of property, plant and equipment	316	22	288	20
Court expenses, compensation/damages, penalties	539	228	113	159
Cost related to income from lease of tangible assets	254	119	99	29
Donations	6	7	-	-
Retirement of an item of property, plant and equipment	-	174	-	-42
Other	385	26	176	-434
Total other expenses	1,501	575	675	-268

Impairment of receivables and contract assets	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
Impairment of receivables	1,177	602	-222	363
Impairment of contract assets	-	-	-	-
Impairment of receivables and contract assets	1,177	602	-222	363

FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
Interest income	240	92	76	61
Net gain/(loss) on derivative instruments	-	-	-232	-
Net foreign exchange gains	2,384	1,183	2,384	-1,409
Other	-	42	-	10
Total finance income	2,624	1,317	2,228	-1,338

FINANCE COSTS	Jan 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2019	Jul 1–Sep 30 2018
Interest paid	1,904	2,682	714	753
Impairment loss on shares in the associate OOO SCT	145	-	71	-
Net gain/(loss) on derivative instruments	1,293	1,518	1,293	-817
Net foreign exchange losses	-	-	-397	-
Other	178	201	69	65
Total finance costs	3,521	4,401	1,751	1

PROPERTY, PLANT AND EQUIPMENT

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In the period January 1st–September 30th 2019, the cost of acquired intangible assets and property, plant and equipment at the SECO/WARWICK Group amounted to PLN 8,716 thousand.

Item	Sep 30 2019	Dec 31 2018
Tangible assets	65,682	75,428
Tangible assets under construction	5,135	4,909
Property, plant and equipment	70,817	80,338

IMPAIRMENT LOSSES ON ASSETS

Impairment losses on	Sep 30 2019	Dec 31 2018	Sep 30 2018
Trade receivables	14,217	12,376	7,265
Goodwill	44,946	44,946	44,946
Inventories	6,669	6,273	5,624
Contract assets	577	577	-
Tangible assets	2,392	2,095	854
Total impairment losses	68,802	66,267	58,688

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

Pursuant to Resolution No. 19, the General Meeting resolved to distribute a portion of the net profit of PLN 4,018,910.20 (four million, eighteen thousand, nine hundred and ten zloty, twenty grosz) as dividend to the Company's shareholders, Dividend per share was PLN 0.41. The dividend record date (D) was July 4th 2019, while the dividend payment date (W) was July 18th 2019.

CAPITAL COMMITMENTS

As at September 30th 2019, the SECO/WARWICK Group had no capital commitments relating to property, plant and equipment.

CONSOLIDATED OFF-BALANCE-SHEET ITEMS

Contingent liabilities

As at September 30th 2019, contingent liabilities under performance bonds (bank guarantees) issued amounted to PLN 59,899 thousand (end of 2018: PLN 51,508 thousand).

SETTLEMENTS RELATED TO COURT CASES

For detailed information on court cases, see Note 35 to the consolidated financial statements for the period ended December 31st 2018. 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 Q3 2019

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

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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 March 29th 2018 (consolidated text: Dz.U. of 2018, item 757) (the "Regulation").

Seasonality and cyclical nature of SECO/WARWICK S.A.'s and its Group's operations

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

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

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

Types and amount of changes in estimates disclosed in previous interim periods of the financial year 2019 or changes in estimates disclosed in previous financial years if they have material bearing on Q3 2019

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 material bearing on the Company's or the Group's results for Q3 2019.

Issue, redemption and repayment of debt and equity securities

No such events occurred.

Earnings per share

Item	Jan 1–Sep 30 2019	Jul 1–Sep 30 2019	Jan 1–Sep 30 2018	Jul 1–Sep 30 2018
Net profit from continuing operations attributable to shareholders	11,706	4,303	13,308	3,053
Profit(loss) from discontinued operations attributable to shareholders	-	-	-	-
Net profit attributable to owners of the parent	11,706	4,303	13,308	3,053
Interest on redeemable preference shares convertible into ordinary shares	-	-	-	-
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	11,706	4,303	13,308	3,053
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	9,802,620	9,802,620	9,700,454	9,700,454
Earnings per share	1.19	0.44	1.37	0.31

The effect of dilutive instruments on earnings per share is immaterial.

Material events subsequent to the end of Q3 2019, not disclosed in the financial statements for Q3 2019 but having potentially material bearing on the future financial performance of the SECO/WARWICK Group

No such events occurred.

Other supplementary information to the Q3 2019 report

1. Material achievements and failures of SECO/WARWICK S.A. and the SECO/WARWICK Group in the nine months ended September 30th 2019 and key related events

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In Q1–Q3 2019, the Group’s sales amounted to PLN 337.3m, down 16% year on year, while the gross margin was up 2.8 pp year on year (23.6% in the reporting period). The lower sales reflected a decrease in the Group’s order book, but also resulted from the selection of and focus on orders offering higher margins.

The Atmosphere Furnaces segment’s sales grew 5.9%, while in the Aluminium Process and Aftersales segments sales (spare parts and aftersales services) remained stable year on year. A 42.7% decrease was recorded in the Melting Furnaces segment due to the completion of numerous contracts accumulated in Q2 and Q3 2018, and a 10.1% decrease was recorded in the Vacuum Furnaces segment.

In the period from January to September 2019, the Group companies secured a backlog of orders worth a total of PLN 299m, compared with PLN 321m in the same period of the previous year. Most of the orders (nearly 30%) were placed in the Aftersales segment, 24% in the Melting Furnaces segment, and approximately 20% in each of the Vacuum Furnaces and Aluminium Process segments, and 7% of the orders was secured by the Atmospheric Furnaces segment.

As at the end of September 2019, the value of the order book was PLN 336m.

In Q1–Q3 2019, the Group’s gross margin (23.6%) was higher than in the same period of 2018 (20.7%) thanks to a clearly higher margin in the Aluminium Process segment (+10.3pp year on year) and in the Aftersales (+3.8pp year on year) and Vacuum Furnaces segments (+1.1pp year on year). The margin in the Melting and Atmospheric Furnaces segments deteriorated year on year by approximately 3pp.

Distribution costs and administrative expenses decreased year on year by nearly PLN 3m (4.1%) and in Q1–Q3 2019 amounted to PLN 62.7m. The Group’s EBITDA was PLN 23.6m, down on the corresponding period of 2018 due to less favourable net other income/(expenses), with a slight year-on-year increase in EBITDA margin (up 0.2pp). Net profit was PLN 12.1m (down 9% year on year), which however resulted in a slight year-on-year increase in net margin, to 3.6%, up by 0.3pp.

2. Factors and events, especially non-recurring ones, having material bearing on the financial performance in Q3 2019

In the SECO/WARWICK Group’s business there were no factors or events, especially non-recurring ones, that could have had material bearing on the Group’s financial performance in Q3 2019.

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

In Q3 2019, there were no changes in the organisational structure of the SECO/WARWICK Group’s business that would result from mergers, acquisitions or disposals of Group entities, long-term investments, demergers or restructurings.

4. Management Board’s position on the feasibility of meeting any previously published forecasts for 2018 in light of the results presented in the Q3 2018 report

The Management Board of SECO/WARWICK S.A. did not publish any forecasts of the Company’s or the Group’s financial performance in 2019.

5. Shareholders holding, directly or indirectly, 5% or more of the total voting rights 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 periodic report (report for H1 2019)

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the date of issue of the report for H1 2019, that is September 11th 2019

Shareholder	Number of shares	Ownership interest (%)	Number of voting	% of total voting rights
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rights

SW Holding sp. z o.o.	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	10.91%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	1,046,573	10.16%	1,046,573	10.16%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.19%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

The data is based on notifications received from the shareholders.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the date of issue of the report for Q3 2019, that is November 15th 2019

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding Sp. z o.o.	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	10.91%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	1,046,573	10.16%	1,046,573	10.16%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.19%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

The data is based on notifications received from the shareholders.

The Company is not aware of any changes in major holdings of its shares in the period from the issue date of the H1 2019 report to the issue date of this Report.

6. SECO/WARWICK S.A. shares held by its managing and supervisory personnel as at the date of issue of this Report, including information on any changes in such holdings subsequent to the date of issue of the previous periodic report (i.e. September 11th 2019, the date of issue of the H1 2019 report)

Table: Members of SECO/WARWICK S.A. Management Board and Supervisory Board holding Company shares as at the date of issue of the H1 2019 report, i.e. September 11th 2019, and the date of issue of the Q3 2019 report, i.e. November 15th 2019

	Sep 11 2019			Decrease/increase	Nov 15 2019			Total par value of shares (PLN)
	Number of S/W shares held	Ownership interest	% of total voting rights		Number of S/W shares held	Ownership interest	% of total voting rights	
Management Board								
Sławomir Woźniak	21,506	0.21%	0.21%	22,800	44,306	0.43%	0.43%	8,861
Jarosław Talerzak	31,141	0.30%	0.30%	-	31,141	0.30%	0.30%	6,228
Bartosz Klinowski	84,981	0.83%	0.83%	12,770	97,751	0.95%	0.95%	19,550

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Earl Good	-	-	-	6,331	6,331	0.06%	0.06%	1,266
Piotr Walasek	21,435	0.21%	0.21%	7,600	29,035	0.28%	0.28%	5,807
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
Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
Total	233,849	2.27%	2.27%	49,501	283,350	2.75%	2.75%	56,670

On October 2nd 2019, pursuant to Resolution No. 21 of the Annual General Meeting and Resolution No. 1/2019 of the Supervisory Board of June 5th 2019, as part of the settlement of the 2018 Incentive Scheme, the Company entered into agreements with persons covered by the Scheme for the acquisition of a total of 132,057 shares in the Company.

The acquired shares represented 1.28% of the Company's share capital and conferred to right to 132,057 votes (1.28% of the total vote) at the General Meeting. Following the acquisition, the Company holds 364,277 treasury shares, representing 3.54% of its share capital and 3.54% of the total voting rights at the General Meeting.

The Company announced the execution of the agreements in Current Report No. 15/2019 of October 2nd 2019.

In Current Report No. 16/2019, the Company announced that on October 3rd 2019 it received notifications given under Article 19(1) of the Market Abuse Regulation by:

- Sławomir Woźniak, President of the Management Board
- Bartosz Klinowski, Member of the Management Board
- Piotr Walasek, Member of the Management Board
- Earl Good, Member of the Management Board

concerning acquisition of SECO/WARWICK S.A. shares as part of the 2018–2020 Incentive Scheme.

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

Annex to lock-up agreement

On August 7th 2019, an annex was executed to the share lock-up agreement of November 8th 2016 signed by the Company and:

- SW Holding sp. z o.o., holding 3,387,139 Company shares,
- Spruce Holding LLC, holding 1,123,337 Company shares,
- Paweł Wyrzykowski, holding 307,058 Company shares,
- Andrzej Zawistowski, holding 65,000 Company shares,
- Bartosz Klinowski, holding 84,981 Company shares.

The most important provision of the annex concerns extension of the existing lock-up period, restricting disposal, offering and encumbrance of the Company shares, until December 31st 2023. The Company announced the execution of the annex in Current Report No. 14/2019 of August 7th 2019.

7. Material court, arbitration and administrative proceedings

In Q3 2019, neither the Company nor any other SECO/WARWICK Group company was party to any proceedings whose value (whether jointly or individually) would be material.

7a. Other material proceedings

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For detailed information on other material proceedings, see Note 35 to the consolidated financial statements for the period ended December 31st 2018. By the date of issue of these financial statements, the Company had not received any additional information in this respect.

8. Non-arm's length transaction or series of transactions concluded by the Company with related parties

In Q3 2019, SECO/WARWICK S.A. did not enter into any non-routine or non-arm's length transactions with related parties.

9. Loan sureties or guarantees provided 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 is significant

In Q3 2019, neither SECO/WARWICK S.A. nor any of its subsidiaries provided any loan sureties or guarantees whose value would be significant.

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

In Q3 2019, 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 Company's ability to meet 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 performance in the next quarter or in a longer term

SECO/WARWICK S.A. Incentive Scheme

Adoption of the Incentive Scheme for members of the SECO/WARWICK Group's management staff for 2018–2020

On April 11th 2018, an Extraordinary General Meeting of SECO/WARWICK S.A. passed Resolution No. 20 to approve the 2018–2020 Incentive Scheme, approve the Rules of the Incentive Scheme, and allocate the Company's treasury shares for the purposes of the Incentive Scheme. The Meeting also passed Resolution No. 21 approving the list of participants of the 2018–2020 Incentive Scheme. The Incentive Scheme beneficiaries are the Group's senior management staff. The Scheme covers a total of 494,000 shares. The annual equity volumes for the years 2018, 2019, 2020 and the assessment parameter, which is determined by the Company's Supervisory Board and approved by the General Meeting, have been established for each beneficiary of the Scheme. The assessment parameter is closely linked to the net profit of the SECO/WARWICK Group, separate net profit or operating profit of an operating segment. After the end of the financial year, the Company's Supervisory Board and General Meeting determine and approve the achievement of objectives by individual beneficiaries of the Scheme.

On June 5th 2019, the Supervisory Board passed Resolution No. 01/2019 approving the results of the review of the annual objectives of the 2018 Incentive Scheme, indicating the proposed number of shares to be acquired by each of the beneficiaries of the Scheme. On the same day, the Annual General Meeting approved the resolution passed by the Supervisory Board and decided to expand the list of positions eligible for participation in the Scheme and to amend the Rules of Incentive Scheme as previously proposed by the Supervisory Board.